

Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements
Year Ended June 30, 2021



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EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
Episcopal Community Services of the Diocese of Pennsylvania
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Community Services of the Diocese of Pennsylvania as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Episcopal Community Services of the Diocese of Pennsylvania's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBO, LLP.

**Philadelphia, Pennsylvania
December 15, 2021**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

June 30, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 2,625,674	\$ 2,783,286
Grants receivable	576,258	782,981
Contributions receivable	1,645,138	1,979,021
Prepaid expenses	305,594	294,188
Land, buildings, building improvements, equipment, and furniture and fixtures, net	2,351,547	2,381,231
Long-term investments	85,185,566	68,557,274
Beneficial interest in charitable remainder trusts	694,000	579,000
Beneficial interest in perpetual trusts	<u>4,111,000</u>	<u>3,423,000</u>
Total assets	<u>\$ 97,494,777</u>	<u>\$ 80,779,981</u>
LIABILITIES		
Line of credit	\$ 200,000	\$ -
Loan payable - Paycheck Protection Program	-	1,399,900
Accounts payable and accrued expenses	<u>881,737</u>	<u>816,833</u>
Total liabilities	<u>1,081,737</u>	<u>2,216,733</u>
NET ASSETS		
Without donor restrictions		
Board designated - endowment	33,521,342	26,970,681
Board designated - other	1,498,143	1,033,206
Undesignated	<u>2,572,538</u>	<u>2,480,142</u>
Total	37,592,023	30,484,029
With donor restrictions	<u>58,821,017</u>	<u>48,079,219</u>
Total net assets	<u>96,413,040</u>	<u>78,563,248</u>
Total liabilities and net assets	<u>\$ 97,494,777</u>	<u>\$ 80,779,981</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with comparative totals for 2020

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Undesignated	Board Designated	Total		2021	2020
SUPPORT, REVENUE AND GAINS						
Support						
Contributions	\$ 1,247,089	\$ -	\$ 1,247,089	\$ 117,918	\$ 1,365,007	\$ 4,670,432
Diocese of Pennsylvania	90,000	-	90,000	-	90,000	90,000
Legacies and bequests	59,571	-	59,571	242,532	302,103	207,734
Federal, state, and local grants	3,435,053	-	3,435,053	-	3,435,053	3,623,939
Foundations	185,905	-	185,905	262,042	447,947	405,108
Other	49,241	-	49,241	-	49,241	51,598
Total support	<u>5,066,859</u>	<u>-</u>	<u>5,066,859</u>	<u>622,492</u>	<u>5,689,351</u>	<u>9,048,811</u>
Revenue and gains						
Trust and fiduciary income	91,518	-	91,518	-	91,518	193,539
Investment income	172,832	7,839,438	8,012,270	11,862,240	19,874,510	3,815,273
Gain on forgiveness of loan payable - Paycheck Protection Program	1,399,900	-	1,399,900	-	1,399,900	-
Change in value of beneficial interest in perpetual trusts	-	-	-	688,000	688,000	(63,000)
Total revenue and gains	<u>1,664,250</u>	<u>7,839,438</u>	<u>9,503,688</u>	<u>12,550,240</u>	<u>22,053,928</u>	<u>3,945,812</u>
Net assets released from restrictions/designations						
Endowment spending policy	3,130,800	(1,242,060)	1,888,740	(1,888,740)	-	-
Other transfers	(418,220)	418,220	-	-	-	-
Expiration of purpose and time restrictions	542,194	-	542,194	(542,194)	-	-
Total net assets released from restrictions/designations	<u>3,254,774</u>	<u>(823,840)</u>	<u>2,430,934</u>	<u>(2,430,934)</u>	<u>-</u>	<u>-</u>
Total support, revenue and gains	<u>9,985,883</u>	<u>7,015,598</u>	<u>17,001,481</u>	<u>10,741,798</u>	<u>27,743,279</u>	<u>12,994,623</u>
EXPENSES						
Program services	7,183,064	-	7,183,064	-	7,183,064	7,722,373
Management and general	1,585,768	-	1,585,768	-	1,585,768	1,776,531
Fundraising	1,124,655	-	1,124,655	-	1,124,655	1,105,694
Total expenses	<u>9,893,487</u>	<u>-</u>	<u>9,893,487</u>	<u>-</u>	<u>9,893,487</u>	<u>10,604,598</u>
CHANGES IN NET ASSETS	92,396	7,015,598	7,107,994	10,741,798	17,849,792	2,390,025
NET ASSETS						
Beginning of year	<u>2,480,142</u>	<u>28,003,887</u>	<u>30,484,029</u>	<u>48,079,219</u>	<u>78,563,248</u>	<u>76,173,223</u>
End of year	<u>\$ 2,572,538</u>	<u>\$ 35,019,485</u>	<u>\$ 37,592,023</u>	<u>\$ 58,821,017</u>	<u>\$ 96,413,040</u>	<u>\$ 78,563,248</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021 with comparative totals for 2020

	Program Services					
	<u>SYS</u>	<u>RISE</u>	<u>Mindset</u>	<u>St. Barnabas Mission</u>	<u>Housing</u>	<u>OST Programs</u>
PERSONNEL EXPENSES						
Salaries	\$ 80,744	\$ 195,261	\$ 437,342	\$ 1,065,999	\$ 316,715	\$ 1,673,136
Payroll taxes and employee benefits	<u>23,250</u>	<u>56,760</u>	<u>127,176</u>	<u>284,299</u>	<u>92,611</u>	<u>418,180</u>
Total personnel expenses	103,994	252,021	564,518	1,350,298	409,326	2,091,316
OPERATING EXPENSES						
Occupancy	2,580	4,956	6,146	89,123	982	2,726
Specific assistance	-	-	12,715	45,253	208,222	8,831
Professional fees	743	1,796	33,217	17,306	2,914	36,939
Insurance	1,874	4,534	10,156	27,385	7,354	38,852
Office expense	4,112	5,421	8,097	70,979	11,631	52,851
Staff travel and training	169	804	1,149	4,967	1,004	59,521
Publicity and printing	1,311	3,171	10,103	17,314	5,144	27,176
Appeals	483	1,169	2,618	6,382	1,896	10,018
Gifts in kind	-	-	-	-	-	-
Other	<u>23,788</u>	<u>11,270</u>	<u>27,613</u>	<u>62,076</u>	<u>21,210</u>	<u>388,672</u>
Total expenses before depreciation	139,054	285,142	676,332	1,691,083	669,683	2,716,902
Depreciation	<u>11,068</u>	<u>21,262</u>	<u>26,367</u>	<u>125,494</u>	<u>40,530</u>	<u>7,957</u>
Total functional expenses	<u>\$ 150,122</u>	<u>\$ 306,404</u>	<u>\$ 702,699</u>	<u>\$ 1,816,577</u>	<u>\$ 710,213</u>	<u>\$ 2,724,859</u>

See accompanying notes

<u>Learning and Evaluation</u>	<u>Other</u>	<u>Total Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>	
			<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>2021</u>	<u>2020</u>
\$ 183,016	\$ 261,376	\$ 4,213,589	\$ 947,249	\$ 667,434	\$ 1,614,683	\$ 5,828,272	\$ 6,320,670
<u>53,862</u>	<u>71,129</u>	<u>1,127,267</u>	<u>284,911</u>	<u>197,670</u>	<u>482,581</u>	<u>1,609,848</u>	<u>1,481,344</u>
236,878	332,505	5,340,856	1,232,160	865,104	2,097,264	7,438,120	7,802,014
1,829	1,266	109,608	12,149	5,204	17,353	126,961	149,729
-	2,561	277,582	-	-	-	277,582	357,449
1,684	20,061	114,660	160,145	48,861	209,006	323,666	313,047
4,250	6,069	100,474	21,996	15,498	37,494	137,968	155,030
3,415	5,048	161,554	15,479	10,425	25,904	187,458	217,267
6,185	695	74,494	1,862	6,323	8,185	82,679	121,404
2,973	4,245	71,437	15,386	10,840	26,226	97,663	123,347
2,130	1,565	26,261	5,672	51,990	57,662	83,923	94,841
-	19,316	19,316	-	-	-	19,316	104,869
<u>62,982</u>	<u>43,256</u>	<u>640,867</u>	<u>68,804</u>	<u>88,087</u>	<u>156,891</u>	<u>797,758</u>	<u>830,688</u>
322,326	436,587	6,937,109	1,533,653	1,102,332	2,635,985	9,573,094	10,269,685
<u>7,846</u>	<u>5,431</u>	<u>245,955</u>	<u>52,115</u>	<u>22,323</u>	<u>74,438</u>	<u>320,393</u>	<u>334,913</u>
<u>\$ 330,172</u>	<u>\$ 442,018</u>	<u>\$ 7,183,064</u>	<u>\$ 1,585,768</u>	<u>\$ 1,124,655</u>	<u>\$ 2,710,423</u>	<u>\$ 9,893,487</u>	<u>\$ 10,604,598</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

Year ended June 30, 2021 with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 17,849,792	\$ 2,390,025
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation	320,393	334,913
Net realized and unrealized gain on investments	(17,654,010)	(2,178,066)
Gain on forgiveness of loan payable - Paycheck Protection Program	(1,399,900)	-
Contributions restricted for long-term purposes	(26,214)	(106,329)
Change in value of charitable remainder trusts	(115,000)	35,000
Change in value of beneficial interest in perpetual trusts	(688,000)	63,000
(Increase) decrease in		
Contributions and grants receivable	540,606	(1,608,171)
Prepaid expenses	(11,406)	78,356
Increase (decrease) in		
Accounts payable and accrued expenses	64,904	(365,971)
Net cash used for operating activities	<u>(1,118,835)</u>	<u>(1,357,243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(36,824,425)	(9,490,981)
Proceeds from the sale of investments	37,850,143	11,684,197
Additions to land, buildings and building improvements, equipment and furniture and fixtures	<u>(290,709)</u>	<u>(204,040)</u>
Net cash provided by investing activities	<u>735,009</u>	<u>1,989,176</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	200,000	(150,000)
Proceeds from loan payable - Paycheck Protection Program	-	1,399,900
Collections of contributions restricted for investment in endowment	<u>26,214</u>	<u>106,329</u>
Net cash provided by financing activities	<u>226,214</u>	<u>1,356,229</u>
Change in cash	(157,612)	1,988,162
CASH		
Beginning of year	<u>2,783,286</u>	<u>795,124</u>
End of year	<u>\$ 2,625,674</u>	<u>\$ 2,783,286</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(1) NATURE OF OPERATIONS

Episcopal Community Services of the Diocese of Pennsylvania ("**ECS**") is an independent Pennsylvania nonprofit corporation. The mission statement of ECS is, "Episcopal Community Services empowers vulnerable individuals and families by providing high-quality social and educational services that affirm human dignity and promote social justice."

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

ECS reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of ECS and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting ECS to expend the income generated in accordance with the provisions of the contribution.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("**GAAP**") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of ECS. Unobservable inputs reflect ECS' assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that ECS has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect ECS' own assumptions.

Land, Buildings and Building Improvements, Equipment and Furniture and Fixtures

The Church Foundation (an affiliate of the Episcopal Diocese of Pennsylvania) holds title to the land and building, located at 225 South 3rd Street, Philadelphia, Pennsylvania, in trust for the benefit of ECS, which is entitled to use such premises in perpetuity free of charge. ECS has made building improvements to the premises. The buildings and building improvements, equipment, furniture and fixtures are carried at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and building improvements	20 - 40 years
Equipment, furniture and fixtures	3 - 5 years

Assets sold or otherwise retired are removed from the accounts and any gain or loss on disposal is reflected in the statement of activities.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investment income is recorded as earned.

ECS invests in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

Contributions and Grants

Contributions and grants received, including promises to give, are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions, if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions and grants are reported as increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "net assets released from restrictions."

Unconditional contributions and grants are recognized as revenue when the related promise to give is received. Conditional contributions and grants are recognized as revenue when the conditions are satisfied.

Beneficial Interest in Charitable Remainder Trusts

The beneficial interest in charitable remainder trusts is reported at the fair value of the related assets less the present value of the payments expected to be made to other beneficiaries. ECS has been named as the remaining beneficiary of two irrevocable charitable remainder trusts. The agreements provide for the lead beneficiaries to receive annual distributions until their death, and that, upon their death, ECS is to receive the remainder. The amounts of the remainder and payments to be made to the lead beneficiaries are estimated and have been reduced to present value.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Beneficial Interest in Perpetual Trusts

ECS is the beneficiary of perpetual trust agreements which are held by third parties. Because ECS will receive a perpetual stream of income from the trusts, an estimate of the present value of estimated future cash flows has been recorded as an asset on the statements of financial position using Level 3 valuation inputs. ECS' beneficial interest in these trust agreements is shown as net assets with donor restrictions in the financial statements and its impact on the statement of activities is shown on the line "change in value of beneficial interest in perpetual trusts."

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include personnel expenses which are allocated based on estimates of time and effort.

Income Tax Status

ECS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to ECS' tax-exempt purpose is subject to taxation as unrelated business income. In addition, ECS qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. ECS believes that it had no uncertain tax positions as defined in GAAP.

Concentrations of Credit Risk

Financial instruments which potentially subject ECS to concentrations of credit risk are cash and contributions and grants receivable. ECS maintains its cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Grants receivable are from various government agencies and are expected to be collected in 2022. Contributions receivable are expected to be collected through 2025 (**See Note 3**).

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ECS' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Reclassifications

Certain items in the 2020 comparative financial information have been reclassified to conform with the presentation in the 2021 financial statements.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 732,687	\$ 738,113
One to five years	<u>967,525</u>	<u>1,322,525</u>
	1,700,212	2,060,638
Less discount and allowance	<u>(55,074)</u>	<u>(81,617)</u>
	<u>\$1,645,138</u>	<u>\$1,979,021</u>

Grants receivable are expected to be collected in 2022. ECS has conditional grants of \$2,090,218 at June 30, 2021.

(4) INVESTMENTS

The fair value of ECS' investments at June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 1,154,860	\$ 481,054
Exchange traded and mutual funds		
Equity	21,262,830	20,126,993
Fixed income	18,628,157	16,179,108
Common stocks	43,639,719	31,270,119
Limited partnership	<u>500,000</u>	<u>500,000</u>
	<u>\$85,185,566</u>	<u>\$68,557,274</u>

Investments, with the exception of ECS' investment in a limited partnership, are measured at fair value using Level 1 valuation inputs. The limited partnership is measured using the equity method and has not been classified in the fair value hierarchy.

Investment income was comprised of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 2,445,898	\$ 1,834,731
Net realized and unrealized gain	17,654,010	2,178,066
Less investment management fees	<u>(225,398)</u>	<u>(197,524)</u>
	<u>\$19,874,510</u>	<u>\$ 3,815,273</u>

(5) LAND, BUILDINGS AND BUILDING IMPROVEMENTS, EQUIPMENT, AND FURNITURE AND FIXTURES

As of June 30, 2021 and 2020, land, buildings, building improvements, equipment, and furniture and fixtures consist of:

	<u>2021</u>	<u>2020</u>
Land	\$ 40,000	\$ 40,000
Buildings and building improvements	5,524,793	5,306,589
Equipment, and furniture and fixtures	<u>2,714,184</u>	<u>2,641,679</u>
	8,278,977	7,988,268
Less accumulated depreciation	<u>(5,927,430)</u>	<u>(5,607,037)</u>
	<u>\$ 2,351,547</u>	<u>\$ 2,381,231</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(6) FORGIVENESS OF LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

In April 2020, ECS received a \$1,399,900 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act and administered by the Small Business Administration. The loan was fully forgiven by the Small Business Administration in June 2021 and was recorded as a gain on forgiveness of loan payable – Paycheck Protection Program in the statement of activities.

(7) NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions designated by the Board of Trustees are as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2021</u>
Board designated endowment	\$26,970,681	\$7,792,721	\$(1,242,060)	\$33,521,342
Board designated – other	<u>1,033,206</u>	<u>720,731</u>	<u>(255,794)</u>	<u>1,498,143</u>
	<u>\$28,003,887</u>	<u>\$8,513,452</u>	<u>\$(1,497,854)</u>	<u>\$35,019,485</u>

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at year end:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Investment</u> <u>Income</u>	<u>Releases</u>	<u>Ending</u> <u>Balance</u>
Subject to expenditure for specific purposes or periods					
St. Barnabas Mission	\$ 42,380	\$ 73,928	\$ -	\$ (42,380)	\$ 73,928
Youth Center and SYS	55,000	58,570	-	(55,000)	58,570
Community outreach program	80,618	12,833	22,271	(5,000)	110,722
RISE & Mindset	92,000	136,885	-	(57,760)	171,125
Path to Prosperity	1,563,550	16,137	-	-	1,579,687
Other	33,347	32,447	-	(28,865)	36,929
For future periods	<u>1,776,355</u>	<u>265,478</u>	<u>-</u>	<u>(353,189)</u>	<u>1,688,644</u>
	<u>3,643,250</u>	<u>596,278</u>	<u>22,271</u>	<u>(542,194)</u>	<u>3,719,605</u>
Net assets to be maintained indefinitely					
Endowment funds					
General	728,324	-	210,260	(33,540)	905,044
Prosperity Model	145,387	-	41,971	(6,696)	180,662
ASH	6,831,440	-	1,972,156	(314,604)	8,488,992
21 st Century	4,302,856	26,214	1,242,184	(198,156)	5,373,098
Mercer	13,112,927	-	3,785,551	(603,876)	16,294,602
House of Rest	7,996,621	-	2,308,532	(368,268)	9,936,885
Burd	<u>7,895,414</u>	<u>-</u>	<u>2,279,315</u>	<u>(363,600)</u>	<u>9,811,129</u>
	<u>41,012,969</u>	<u>26,214</u>	<u>11,839,969</u>	<u>(1,888,740)</u>	<u>50,990,412</u>
Beneficial interest in perpetual trusts	<u>3,423,000</u>	<u>688,000</u>	<u>-</u>	<u>-</u>	<u>4,111,000</u>
	<u>\$48,079,219</u>	<u>\$1,310,492</u>	<u>\$11,862,240</u>	<u>\$(2,430,934)</u>	<u>\$58,821,017</u>

General Endowment – The general endowment fund has a historical dollar value of \$647,494, with the income available for the operations of the organization.

Prosperity Model Endowment – The prosperity model endowment fund has a historical dollar value of \$140,079, with the income available for the development and execution of ECS' "Path to Prosperity" initiative.

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ASH Endowment – The All Saint's Hospital endowment fund has a historical dollar value of \$1,592,308, with the income available to support programs designated to serve the health needs of the inner city poor.

21st Century Endowment – The 21st Century endowment fund has a historical dollar value of \$2,626,324, with the income available for initiatives that support the following areas: 1) St. Barnabas Mission, 2) after school and summer camp programs and 3) other initiatives in the ministry assisting persons affected by welfare changes.

Mercer Endowment – This endowment fund has a historical dollar value of \$2,734,314, with the income available for the purpose of providing services to the elderly of the Greater Philadelphia area.

House of Rest Endowment – This endowment fund has a historical dollar value of \$4,820,194, with the income available for services provided to the elderly.

Burd Endowment – This endowment fund has a historical dollar value of \$471,617, with the income available for services to be provided to families with young children that are at risk of dissolution as a result of poverty, homelessness, drug abuse or other problems that jeopardize the integrity of the family structure.

(9) ENDOWMENT FUNDS

An accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). ECS is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

ECS has adopted an investment policy for all investments to produce a predictable level of funds to meet the ECS' organizational objectives while achieving a maximum total return for the assets at a level consistent with prudent management. Under this policy, as approved by the Board, the assets are invested in a manner that is intended to produce returns that exceed the spending policy, while assuming a moderate level of investment risk. Actual returns may vary from the intended results. To satisfy its long-term rate of return objectives, ECS relies on a total return strategy in which investment returns are achieved through both capital appreciation and yield. ECS targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The spending policy is to distribute an amount equal to 5.31% and 4.60% of a moving 13 quarter average of the fair value of the endowment fund for the years ended June 30, 2021 and 2020, respectively.

Changes in the endowment assets for the years ended June 30, 2021 and 2020 are as follows:

	Board Designated	With Donor Restrictions	Total
Balance at June 30, 2020	\$26,970,681	\$41,012,969	\$67,938,650
Contributions	-	26,214	26,214
Investment income, net	7,786,121	11,839,969	19,626,090
Endowment spending policy distribution	(1,242,060)	(1,888,740)	(3,130,800)
Other transfers	6,600	-	6,600
Balance at June 30, 2021	<u>\$33,521,342</u>	<u>\$50,990,412</u>	<u>\$84,511,754</u>

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	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2019	\$27,508,381	\$40,500,074	\$68,008,455
Contributions	23,323	106,329	129,652
Investment income, net	1,523,520	2,211,882	3,735,402
Endowment spending policy distribution	(1,226,208)	(1,805,316)	(3,031,524)
Other transfers	<u>(858,335)</u>	<u>-</u>	<u>(858,335)</u>
Balance at June 30, 2020	<u>\$26,970,681</u>	<u>\$41,012,969</u>	<u>\$67,983,650</u>

(10) LINE OF CREDIT

ECS has a \$2,000,000 bank credit line which bears interest at the Wall Street Prime Rate, plus 1/4% and expires in May 2022. Advances under this credit line are not collateralized. Advances on this bank credit line were \$200,000 and \$0 at June 30, 2021 and 2020, respectively.

(11) RETIREMENT PLANS

ECS has a 401(k) defined contribution pension plan that covers all eligible employees. Eligibility requirements include having attained the age of 21 years and having completed 1,000 hours of service in a 12-month period. Employees may contribute up to 75% of their compensation. ECS matches up to a maximum of 3% of the employee's compensation. ECS' decision whether to match and the amount of the match is discretionary. Employees become 20% vested in the employer's contribution after 2 years but less than 3 years of service and become 100% vested after 3 years of service. One year of service is equivalent to 1,000 hours of service at any time during a plan year.

All Episcopal clergy employed by ECS are enrolled in The Church Pension Fund as required by national and diocesan canons.

Total pension expense was \$149,536 and \$126,756 for the years ended June 30, 2021 and 2020, respectively.

(12) SELF INSURED HEALTH INSURANCE

ECS has a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. ECS maintains a reserve for incurred but not reported medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. ECS has a stop loss policy that covers individual claims exceeding \$45,000 and aggregate claims up to \$1 million. ECS' reserve for incurred but not reported medical claims was \$40,000 and \$25,000 at June 30, 2021 and 2020, respectively.

(13) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects ECS' financial assets as of the statements of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$ 2,625,674
Contributions and grants receivable	2,221,396
Investments	<u>85,185,566</u>
Total financial assets	90,032,636

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Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(2,662,037)
Restricted by donor to be maintained indefinitely	(50,990,412)
Board designated funds	(35,019,485)
Gift annuity assets	(348,175)
Add: FY 2022 Endowment spending policy distribution available for general operations	<u>3,279,000</u>
Total financial assets available within one year	<u>\$ 4,291,527</u>

Liquidity Management

ECS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. ECS has various sources of liquidity at its disposal, including cash, money market funds and a line of credit.

(14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2021, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on ECS' operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred that require recognition or disclosure in the financial statements.