

Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements
Year ended June 30, 2019



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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**

Report on the Financial Statements

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, 2019 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *City of Philadelphia Subrecipient Audit Guide*. Those standards and the *City of Philadelphia Subrecipient Audit Guide* 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, 2019, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Episcopal Community Services of the Diocese of Pennsylvania's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal, state, and city awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of Episcopal Community Services of the Diocese of Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Episcopal Community Services of the Diocese of Pennsylvania's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Episcopal Community Services of the Diocese of Pennsylvania's internal control over financial reporting and compliance.

BBD, LLP.

**Philadelphia, Pennsylvania
December 18, 2019**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 795,124	\$ 816,401
Grants receivable	521,811	516,547
Contributions receivable	632,020	1,045,266
Prepaid expenses	372,544	305,880
Land, buildings, building improvements, equipment, and furniture and fixtures, net	2,512,104	2,278,774
Long-term investments	68,572,424	66,997,179
Beneficial interest in charitable remainder trusts	614,000	195,000
Beneficial interest in perpetual trusts	<u>3,486,000</u>	<u>3,560,000</u>
Total assets	<u>\$ 77,506,027</u>	<u>\$ 75,715,047</u>
LIABILITIES		
Line of credit	\$ 150,000	\$ 175,000
Accounts payable and accrued expenses	<u>1,182,804</u>	<u>1,186,443</u>
Total liabilities	<u>1,332,804</u>	<u>1,361,443</u>
NET ASSETS		
Without donor restrictions		
Board designated - endowment	27,508,381	27,207,977
Board designated - other	765,878	756,541
Undesignated	<u>2,424,041</u>	<u>2,149,658</u>
Total	30,698,300	30,114,176
With donor restrictions	<u>45,474,923</u>	<u>44,239,428</u>
Total net assets	<u>76,173,223</u>	<u>74,353,604</u>
Total liabilities and net assets	<u>\$ 77,506,027</u>	<u>\$ 75,715,047</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2019 with comparative totals for 2018

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Undesignated	Board Designated	Total		2019	2018
SUPPORT, REVENUE AND GAINS						
Support						
Contributions	\$ 1,257,708	\$ -	\$ 1,257,708	\$ 212,955	\$ 1,470,663	\$ 1,641,855
Diocese of Pennsylvania	92,886	-	92,886	-	92,886	88,250
Legacies and bequests	159,566	-	159,566	971,180	1,130,746	2,697,509
Federal, state, and local grants	3,534,214	-	3,534,214	-	3,534,214	3,321,173
Foundations	287,850	-	287,850	147,650	435,500	251,856
Fees	67,849	-	67,849	-	67,849	89,845
Other	19,356	-	19,356	-	19,356	21,764
Total support	<u>5,419,429</u>	<u>-</u>	<u>5,419,429</u>	<u>1,331,785</u>	<u>6,751,214</u>	<u>8,112,252</u>
Revenue and gains						
Trust and fiduciary income	133,769	-	133,769	-	133,769	161,517
Investment income	74,121	1,995,599	2,069,720	2,937,061	5,006,781	6,526,597
Change in value of beneficial interest in perpetual trusts	-	-	-	(74,000)	(74,000)	289,000
Total revenue and gains	<u>207,890</u>	<u>1,995,599</u>	<u>2,203,489</u>	<u>2,863,061</u>	<u>5,066,550</u>	<u>6,977,114</u>
Net assets released from restrictions/designations						
Endowment spending policy	2,938,800	(1,201,560)	1,737,240	(1,737,240)	-	-
Other transfers	484,298	(484,298)	-	-	-	-
Expiration of purpose and time restrictions	1,222,111	-	1,222,111	(1,222,111)	-	-
Total net assets released from restrictions/designations	<u>4,645,209</u>	<u>(1,685,858)</u>	<u>2,959,351</u>	<u>(2,959,351)</u>	<u>-</u>	<u>-</u>
Total support, revenue and gains	<u>10,272,528</u>	<u>309,741</u>	<u>10,582,269</u>	<u>1,235,495</u>	<u>11,817,764</u>	<u>15,089,366</u>
EXPENSES						
Program services	7,281,175	-	7,281,175	-	7,281,175	6,939,133
Management and general	1,717,794	-	1,717,794	-	1,717,794	1,666,851
Fundraising	999,176	-	999,176	-	999,176	755,848
Total expenses	<u>9,998,145</u>	<u>-</u>	<u>9,998,145</u>	<u>-</u>	<u>9,998,145</u>	<u>9,361,832</u>
CHANGES IN NET ASSETS	<u>274,383</u>	<u>309,741</u>	<u>584,124</u>	<u>1,235,495</u>	<u>1,819,619</u>	<u>5,727,534</u>
NET ASSETS						
Beginning of year	<u>2,149,658</u>	<u>27,964,518</u>	<u>30,114,176</u>	<u>44,239,428</u>	<u>74,353,604</u>	<u>68,626,070</u>
End of year	<u>\$ 2,424,041</u>	<u>\$ 28,274,259</u>	<u>\$ 30,698,300</u>	<u>\$ 45,474,923</u>	<u>\$ 76,173,223</u>	<u>\$ 74,353,604</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019 with comparative totals for 2018

	Program Services						
	<u>SYS</u>	<u>RISE</u>	<u>Mindset</u>	<u>St. Barnabas Mission</u>	<u>Housing</u>	<u>OST Programs</u>	<u>Learning and Evaluation</u>
PERSONNEL EXPENSES							
Salaries	\$ 65,393	\$ 286,782	\$ 242,578	\$ 1,152,342	\$ 337,640	\$ 1,356,229	\$ 143,345
Payroll taxes and employee benefits	17,270	76,872	69,547	306,855	93,632	276,933	41,134
Total personnel expenses	82,663	363,654	312,125	1,459,197	431,272	1,633,162	184,479
OPERATING EXPENSES							
Occupancy	3,378	9,900	2,971	92,054	1,936	1,715	1,330
Specific assistance	1,403	5,612	175	64,106	636,480	15,518	-
Professional fees	-	-	195	4,521	-	50,950	-
Insurance	1,497	6,564	5,552	30,796	7,728	31,040	3,280
Office expense	4,519	10,729	4,892	84,983	16,334	65,722	2,920
Staff travel and training	1,833	7,428	5,306	21,586	8,487	46,931	6,291
Publicity and printing	1,083	4,750	27,922	19,085	5,592	22,462	2,374
Appeals	579	2,539	2,148	10,203	2,990	12,009	3,282
Gifts in kind	-	-	-	-	-	-	-
Other	22,515	51,353	13,828	73,689	28,280	387,204	47,834
Total expenses before depreciation	119,470	462,529	375,114	1,860,220	1,139,099	2,266,713	251,790
Depreciation	12,394	36,325	10,899	102,280	51,340	13,511	4,882
Total functional expenses	<u>\$ 131,864</u>	<u>\$ 498,854</u>	<u>\$ 386,013</u>	<u>\$ 1,962,500</u>	<u>\$ 1,190,439</u>	<u>\$ 2,280,224</u>	<u>\$ 256,672</u>

		<u>Supporting Services</u>			<u>Total Expenses</u>	
<u>Other</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>2019</u>	<u>2018</u>
\$ 282,164	\$ 3,866,473	\$ 987,205	\$ 596,774	\$ 1,583,979	\$ 5,450,452	\$ 4,856,294
<u>76,372</u>	<u>958,615</u>	<u>266,322</u>	<u>171,253</u>	<u>437,575</u>	<u>1,396,190</u>	<u>1,424,430</u>
358,536	4,825,088	1,253,527	768,027	2,021,554	6,846,642	6,280,724
1,993	115,277	19,735	3,715	23,450	138,727	189,233
6,771	730,065	-	-	-	730,065	706,043
12,654	68,320	145,867	65,490	211,357	279,677	309,560
6,458	92,915	35,651	12,998	48,649	141,564	132,706
4,290	194,389	24,910	9,938	34,848	229,237	232,723
11,460	109,322	23,468	14,526	37,994	147,316	139,378
4,673	87,941	16,350	12,584	28,934	116,875	148,140
2,498	36,248	9,831	45,119	54,950	91,198	66,348
101,746	101,746	-	-	-	101,746	123,753
<u>56,217</u>	<u>680,920</u>	<u>116,044</u>	<u>53,149</u>	<u>169,193</u>	<u>850,113</u>	<u>693,275</u>
567,296	7,042,231	1,645,383	985,546	2,630,929	9,673,160	9,021,883
<u>7,313</u>	<u>238,944</u>	<u>72,411</u>	<u>13,630</u>	<u>86,041</u>	<u>324,985</u>	<u>339,949</u>
<u>\$ 574,609</u>	<u>\$ 7,281,175</u>	<u>\$ 1,717,794</u>	<u>\$ 999,176</u>	<u>\$ 2,716,970</u>	<u>\$ 9,998,145</u>	<u>\$ 9,361,832</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

Year ended June 30, 2019 with comparative totals for 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 1,819,619	\$ 5,727,534
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation	324,985	339,949
Net realized and unrealized gain on investments	(3,300,950)	(4,837,788)
Contribution of beneficial interest in charitable remainder trust	(432,000)	(195,000)
Contributions restricted for long-term purposes	(211,244)	(685,000)
Change in value of charitable remainder trusts	13,000	-
Change in value of beneficial interest in perpetual trusts	74,000	(289,000)
(Increase) decrease in		
Grants receivable	(5,264)	141,016
Contributions receivable	263,246	(128,060)
Prepaid expenses	(66,664)	(86,036)
Increase (decrease) in		
Accounts payable and accrued expenses	(3,639)	90,072
Net cash provided by (used for) operating activities	<u>(1,524,911)</u>	<u>77,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,407,415)	(8,630,817)
Proceeds from the sale of investments	17,133,120	8,973,211
Additions to land, buildings, building improvements, equipment and furniture and fixtures	<u>(558,315)</u>	<u>(266,966)</u>
Net cash provided by investing activities	<u>1,167,390</u>	<u>75,428</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	(25,000)	(425,000)
Collections of contribution restricted for endowment	<u>361,244</u>	<u>320,000</u>
Net cash provided by (used for) financing activities	<u>336,244</u>	<u>(105,000)</u>
Change in cash	(21,277)	48,115
CASH		
Beginning of year	<u>816,401</u>	<u>768,286</u>
End of year	<u>\$ 795,124</u>	<u>\$ 816,401</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(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, 2019

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, 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, 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	40 years
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

Contributions 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 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 support is reported as an 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."

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, 2019

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."

Federal, State, and Local Grants

Federal, state, and local grants are recorded as revenue as the services are performed. Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with governmental agencies having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. ECS does not charge interest on outstanding balances.

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 salaries and benefits 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, grants receivable and contributions 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 2020. Contributions receivable are expected to be collected through 2021 (**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, 2018, from which the summarized information was derived.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Accounting Pronouncements Adopted

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. ECS has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of ECS' financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 11**).

Reclassifications

Certain items in the 2018 comparative information have been reclassified in order to conform to the 2019 presentation.

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable, which consist primarily of bequests, are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 633,020	\$ 433,266
One to five years	<u>10,000</u>	<u>620,000</u>
	643,020	1,053,266
Less allowance	<u>(11,000)</u>	<u>(8,000)</u>
	<u>\$632,020</u>	<u>\$1,045,266</u>

(4) INVESTMENTS

The fair value of ECS' investments at June 30, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 955,654	\$ 945,973
Exchange traded and mutual funds		
Equity	20,810,966	22,064,477
Fixed income	15,941,964	14,682,402
Real assets	1,823,490	1,315,963
Marketable equity securities	28,540,350	27,988,354
Limited partnership	<u>500,000</u>	<u>-</u>
	<u>\$68,572,424</u>	<u>\$66,997,179</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.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 1,905,204	\$ 1,878,027
Net realized and unrealized gain	3,300,950	4,837,788
Less investment management fees	<u>(199,903)</u>	<u>(189,218)</u>
	<u>\$ 5,006,781</u>	<u>\$ 6,526,597</u>

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

As of June 30, 2019 and 2018, land, buildings, building improvements, equipment, and furniture and fixtures consist of:

	<u>2019</u>	<u>2018</u>
Land	\$ 40,000	\$ 40,000
Buildings	2,842,865	2,383,891
Building improvements	2,401,836	2,394,952
Equipment, and furniture and fixtures	<u>2,499,527</u>	<u>2,407,070</u>
	7,784,228	7,225,913
Less accumulated depreciation	<u>(5,272,124)</u>	<u>(4,947,139)</u>
	<u>\$ 2,512,104</u>	<u>\$ 2,278,774</u>

(6) RETIREMENT PLAN

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 \$106,822 and \$89,716 for the years ended June 30, 2019 and 2018, respectively.

(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, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2019</u>
Board designated endowment	\$27,207,977	\$1,981,805	\$(1,681,401)	\$27,508,381
Board designated – other	<u>756,541</u>	<u>13,794</u>	<u>(4,457)</u>	<u>765,878</u>
	<u>\$27,964,518</u>	<u>\$1,995,599</u>	<u>\$(1,685,858)</u>	<u>\$28,274,259</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(8) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Beginning Balance</u>	<u>Additions (Subtractions)</u>	<u>Investment Income</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to expenditure for specific purposes or periods					
St. Barnabas Mission	\$ 59,997	\$ 77,150	\$ -	\$ (39,997)	\$ 97,150
Youth Center and SYS	20,000	-	-	(20,000)	-
Future programs	190,792	-	11,741	(202,533)	-
Community outreach program	142,589	-	11,043	(40,000)	113,632
RISE & Mindset	-	160,000	-	-	160,000
Other	86,000	54,360	-	(86,000)	54,360
For future periods	<u>1,068,257</u>	<u>829,031</u>	<u>-</u>	<u>(833,581)</u>	<u>1,063,707</u>
	<u>1,567,635</u>	<u>1,120,541</u>	<u>22,784</u>	<u>(1,222,111)</u>	<u>1,488,849</u>
Net assets to be maintained indefinitely					
Endowment funds					
General	435,040	211,244	34,334	(32,520)	648,098
Prosperity Model	41,025	-	2,899	(4,680)	39,244
ASH	6,568,556	-	490,875	(262,320)	6,797,111
21 st Century	4,130,432	-	309,097	(173,280)	4,266,249
Mercer	12,691,682	-	934,935	(582,300)	13,044,317
House of Rest	7,670,664	-	575,212	(334,380)	7,911,496
Burd	<u>7,574,394</u>	<u>-</u>	<u>566,925</u>	<u>(347,760)</u>	<u>7,793,559</u>
	<u>39,111,793</u>	<u>211,244</u>	<u>2,914,277</u>	<u>(1,737,240)</u>	<u>40,500,074</u>
Beneficial interest in perpetual trusts	<u>3,560,000</u>	<u>(74,000)</u>	<u>-</u>	<u>-</u>	<u>3,486,000</u>
	<u>\$44,239,428</u>	<u>\$1,257,785</u>	<u>\$2,937,061</u>	<u>\$(2,959,351)</u>	<u>\$45,474,923</u>

General Endowment – The general endowment fund has a historical dollar value of \$641,244, with the income available for the operations of the organization.

Prosperity Model Endowment – The prosperity model endowment fund has a historical dollar value of \$40,000, with the income available for the development and execution of ECS' "Path to Prosperity" initiative.

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 \$2,600,110, 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.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(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 current spending policy is to distribute an amount equal to 4.50% of a moving 13 quarter average of the fair value of the endowment fund.

Changes in the endowment assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2018	\$27,207,977	\$39,111,793	\$66,319,770
Contributions	-	211,244	211,244
Investment income, net	1,981,805	2,914,277	4,896,082
Endowment spending policy distribution	(1,201,560)	(1,737,240)	(2,938,800)
Other transfers	(479,841)	-	(479,841)
Balance at June 30, 2019	<u>\$27,508,381</u>	<u>\$40,500,074</u>	<u>\$68,008,455</u>

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2017	\$24,592,429	\$36,624,632	\$61,217,061
Contributions	823,472	470,000	1,293,472
Investment income, net	2,566,225	3,835,269	6,401,494
Endowment spending policy distribution	(1,140,528)	(1,818,108)	(2,958,636)
Other transfers	366,379	-	366,379
Balance at June 30, 2018	<u>\$27,207,977</u>	<u>\$39,111,793</u>	<u>\$66,319,770</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 2020. Advances under this credit line are not collateralized. Advances on this bank credit line were \$150,000 and \$175,000 at June 30, 2019 and 2018, respectively.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(11) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash	\$ 795,124
Grants receivable	521,811
Contributions receivable	632,020
Investments	<u>68,572,424</u>
Total financial assets	70,521,379
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	(260,142)
Restricted by donor to be maintained indefinitely	(40,500,074)
Board designated funds	(28,274,259)
Gift annuity assets	(275,714)
Add: FY 2020 Endowment spending policy distribution available for general operations	<u>2,681,719</u>
Total financial assets available within one year	<u>\$ 3,892,909</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.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2019, the date on which the financial statements were available to be issued. No material subsequent events have occurred that require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
<i>Federal Financial Assistance:</i>				
<u>U.S. Department of Agriculture</u>				
Pass-Through Program:				
Health Promotion Council of Southeastern Pennsylvania Child and Adult Food Care Program	10.558	N/A	07/01/18 - 06/30/19	\$ 10,513
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through Program:				
Philadelphia Office of Homeless Services Emergency Solutions Grant Program	14.231	19-20587	01/01/19 - 12/31/19	34,477
Direct Program:				
Continuum of Care Program	14.267	N/A	05/01/18 - 12/31/19	392,521
<u>U.S. Department of Education</u>				
Pass-Through Program:				
Twenty-First Century Community Learning Centers	84.287	4100068059	10/01/14 - 09/30/19	244,932
Twenty-First Century Community Learning Centers	84.287	4100071635	01/01/16 - 12/31/19	116,622
Twenty-First Century Community Learning Centers	84.287	4100078059	10/01/17 - 09/30/19	362,271
Total 84.287				<u>723,825</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-Through Programs:				
Philadelphia Department of Human Services, Public Health Management Corporation Temporary Assistance for Needy Families Out of School Time Elementary	93.558	N/A	07/01/18 - 06/30/19	667,223
Out of School Time Middle	93.558	N/A	07/01/18 - 06/30/19	191,196
Total 93.558				<u>858,419</u>
Health Promotion Council of Southeastern Pennsylvania Preventive Health and Health Services Block Grant	93.758	N/A	07/01/18 - 06/30/19	6,500
Total Federal Financial Assistance				<u>2,026,255</u>
<i>State Financial Assistance:</i>				
<u>Pennsylvania Department of Human Services</u>				
Pass-Through Programs:				
Philadelphia Department of Human Services, Division of Children and Youth FASST Housing Project		17-20241-02	07/01/18 - 06/30/19	52,000

Note: There were no awards passed through to subrecipients.

See notes to Schedule of Expenditures of Federal, State and City Awards

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Award Period</u>	<u>Federal Expenditures</u>
Philadelphia Department of Human Services, Public Health Management Corporation Parenting Collaborative		N/A	07/01/18 - 06/30/19	41,376
Out of School Time Elementary		N/A	07/01/18 - 06/30/19	57,258
Out of School Time Middle		N/A	07/01/18 - 06/30/19	16,408
Philadelphia Office of Homeless Services Emergency Housing Services		17-20286-02	07/01/18 - 06/30/19	<u>115,541</u>
Total State Financial Assistance				<u>282,583</u>
City Financial Assistance:				
Direct Programs:				
Philadelphia Department of Human Services, Division of Children and Youth FASST Housing Project		17-20241-02	07/01/18 - 06/30/19	13,000
Philadelphia Department of Human Services, Public Health Management Corporation Parenting Collaborative		N/A	07/01/18 - 06/30/19	10,344
Out of School Time Elementary		N/A	07/01/18 - 06/30/19	14,333
Out of School Time Middle		N/A	07/01/18 - 06/30/19	4,107
Philadelphia Office of Homeless Services Emergency Housing Services		17-20286-02	07/01/18 - 06/30/19	694,459
Rapid Re-Housing		18-20314-01	07/01/18 - 06/30/19	365,143
FASST Housing Project		19-20212	07/01/18 - 06/30/19	80,000
Pass-Through Program:				
Philadelphia Youth Network WorkReady Program		N/A	02/01/18 - 09/30/18	31,461
WorkReady Program		N/A	02/01/19 - 09/30/19	<u>12,529</u>
Total City Financial Assistance				<u>1,225,376</u>
Total Federal, State and City Financial Assistance				<u>\$ 3,534,214</u>

Note: There were no awards passed through to subrecipients.

See notes to Schedule of Expenditures of Federal, State and City Awards

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

June 30, 2019

(1) GENERAL INFORMATION

The accompanying schedule of expenditures of federal, state and city awards presents the activities in all the federal, state and city awards programs of ECS. All government financial assistance received directly from federal, state or city agencies, as well as financial assistance passed through other governmental agencies or not-for-profit organizations, is included on the schedule.

(2) BASIS OF ACCOUNTING

The schedule of expenditures of federal, state and city awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to funding sources on either a cash or modified accrual basis of accounting.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal, state and city awards expenditures are reported on the statements of activities and functional expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal, state and city awards, because program expenditures exceeding grant or contract budget limitations are not reflected on the schedule of expenditures of federal, state and city awards.

(4) INDIRECT COSTS

ECS has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Episcopal Community Services of the Diocese of Pennsylvania ("**ECS**") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ECS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECS' internal control. Accordingly, we do not express an opinion on the effectiveness of ECS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ECS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BBD, LLP.

**Philadelphia, Pennsylvania
December 18, 2019**



**REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Major Federal Program

We have audited Episcopal Community Services of the Diocese of Pennsylvania's ("**ECS**") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on ECS' major federal program for the year ended June 30, 2019. ECS' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for ECS' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *City of Philadelphia Subrecipient Audit Guide*. Those standards, the Uniform Guidance and the *City of Philadelphia Subrecipient Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ECS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of ECS' compliance.

Opinion on Major Federal Program

In our opinion, ECS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of ECS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ECS' internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ECS' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BBD, LLP.

**Philadelphia, Pennsylvania
December 18, 2019**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of ECS were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of ECS were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award program are reported in the report on compliance for major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for major federal program for ECS expresses an unmodified opinion on the major federal program.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The program tested as the major federal program was:
 - U.S. Department of Health and Human Services
 - Temporary Assistance for Needy Families – CFDA Number 93.558
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. ECS did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAM AUDIT

None



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL SCHEDULES
REQUIRED BY THE CITY OF PHILADELPHIA
DEPARTMENT OF HUMAN SERVICES**

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

We have audited the financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a nonprofit organization), for the year ended June 30, 2019, and have issued our report thereon dated December 18, 2019. These financial statements are the responsibility of Episcopal Community Services of the Diocese of Pennsylvania's management. 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; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *City of Philadelphia Subrecipient Audit Guide*. Those standards and the *City of Philadelphia Subrecipient Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Episcopal Community Services of the Diocese of Pennsylvania taken as a whole. The accompanying reports of revenue by functional program and of functional expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
December 18, 2019**

REPORT OF REVENUE BY FUNCTIONAL PROGRAM		Agency Name & Address			Episcopal Community Services of the Diocese of Pennsylvania 225 South Third Street Philadelphia, PA 19106			City of Philadelphia Department of Human Services		
Year Ended		June 30, 2019								
Sources of Revenue		Total All Functions	FASST Housing Project	Parenting Collaborative	Out of School Time Elementary	Out of School Time Middle	Non-DHS Services			
65	Other Federal (Specify)									
66	U.S. Dept. of Agriculture	10,513	-	-	-	-	10,513			
67	U.S. Dept. of Education	723,825	-	-	-	-	723,825			
68	U.S. Dept. of Health and Human Services	864,919	-	-	667,223	191,196	6,500			
69	U.S. Dept. of Housing and Urban Development	426,998	-	-	-	-	426,998			
71	State Government (Specify)	-	-	-	-	-	-			
72	Comm. of PA, Dept. of Human Services	43,990	-	-	-	-	43,990			
74	Phila. DHS	208,826	65,000	51,720	71,591	20,515	-			
75	Phila. DHS Comm. Block Grants	-	-	-	-	-	-			
76	Phila. Office of Homeless Services	1,255,143	-	-	-	-	1,255,143			
80	Board of Education	-	-	-	-	-	-			
81	C.O.O.D.A.P.	-	-	-	-	-	-			
82	MH/MR	-	-	-	-	-	-			
83	Other (Specify)	-	-	-	-	-	-			
85	Private Fund Raising	-	-	-	-	-	-			
86	Investment Income (Loss)	5,066,550	-	-	-	-	5,066,550			
87	Rental Income	-	-	-	-	-	-			
88	Endowment Funds	-	-	-	-	-	-			
89	United Way	-	-	-	-	-	-			
90	Foundations	435,500	-	-	-	-	435,500			
91	Program Income	87,205	-	-	-	-	87,205			
92	Client Fee	-	-	-	-	-	-			
93	Donations/Misc Income	2,694,295	-	-	-	-	2,694,295			
95	Grand Total	11,817,764	65,000	51,720	738,814	211,711	10,750,519			

REPORT OF FUNCTIONAL EXPENDITURES Year Ended June 30, 2019		Agency Name & Address		Episcopal Community Services of the Diocese of Pennsylvania 225 South Third Street Philadelphia, PA 19106			City of Philadelphia Department of Human Services		
Objects of Expense	Total All Functions	FASST Housing Project	Parenting Collaborative	Out of School Time Elementary	Out of School Time Middle	Non-DHS Services			
SALARIES AND WAGES	4,853,678	53,271	28,231	872,036	234,028	3,666,112			
1 Administration	-	-	-	-	-	-			
2 Professional	-	-	-	-	-	-			
3 Clerical	-	-	-	-	-	-			
4 Maintenance & Services	-	-	-	-	-	-			
5 Childcare & Activities	-	-	-	-	-	-			
6 F.I.C.A. (Employer Share)	396,354	3,020	2,403	51,748	14,273	324,910			
7 Unemployment Compensation	37,067	282	225	4,839	1,335	30,386			
8 Workmen's Compensation	37,904	289	230	4,949	1,365	31,071			
9 Employee Benefits	753,612	12,643	5,342	126,464	36,125	573,038			
10 Other (Specify)	-	-	-	-	-	-			
11 Total Social Services and Child Care	6,078,615	69,505	36,431	1,060,036	287,126	4,625,517			
30 TOTAL SALARIES AND WAGES	6,078,615	69,505	36,431	1,060,036	287,126	4,625,517			
OPERATING EXPENSE AND ADMIN.									
31 Prof. Fees & Contract Payments	239,842	787	11,159	17,879	5,029	204,988			
32 Supplies	236,511	49	112	57,296	13,742	165,312			
33 Telephone	18,640	81	64	3,626	1,162	13,707			
34 Postage & Shipping	14,878	93	74	2,928	438	11,345			
35 Local Transportation	37,982	137	349	6,693	2,463	28,340			
36 Outside Printing etc	41,017	159	127	8,477	4,438	27,816			
37 Conferences, conventions & meetings	94,808	42	33	13,878	5,552	75,303			
38 Subscriptions, publications	-	-	-	-	-	-			
39 Membership dues	-	-	-	-	-	-			
40 Awards & grants	-	-	-	-	-	-			
41 Equip. Furn. & Mtr. Vehicle rentals	-	-	-	-	-	-			
42 Equip. Furn. & Mtr. Vehicle Depr. & Amort.	-	-	-	-	-	-			
43 Fundraising	999,176	-	-	-	-	999,176			
44 Other (Specify)	-	-	-	-	-	-			
44a Insurance	128,566	5,318	891	30,324	3,774	88,259			
44b Marketing	104,291	125	99	16,121	4,519	83,427			
44c Miscellaneous	709,179	868	12,059	78,653	26,623	590,976			
45 Total Social Services & Child Care	2,624,890	7,659	24,967	235,875	67,740	2,288,649			
OCCUPANCY									
50 Office Rent	22,800	-	-	9,556	4,744	8,500			
52 Building & Grounds Maint. & Repairs	107,978	340	271	6,707	1,609	99,051			
53 Utilities	94,522	34	27	4,252	1,578	88,631			
56 Depreciation	311,355	552	439	21,571	3,245	285,548			
58 Total Social Services & Child Care	536,655	926	737	42,086	11,176	481,730			
62 TOTAL OCCUPANCY EXPENSE	536,655	926	737	42,086	11,176	481,730			
CHILDREN'S DIRECT EXPENSE									
63 Food or Board Payments	659,049	-	-	-	-	659,049			
65 Clothing, Cleaning & Repairing	74,336	-	-	-	3,015	71,321			
66 Activities, Recreation and Camp	-	-	-	-	-	-			
70 Other (Specify) Specific Assistance	24,600	-	-	-	-	24,600			
71 Total Social Services & Child Care	757,985	-	-	-	3,015	754,970			
75 TOTAL CHILDREN'S DIRECT	757,985	-	-	-	3,015	754,970			
GRAND TOTAL EXPENSES									
76 CHILD CARE & SOCIAL SERVICES	9,998,145	78,090	62,135	1,337,997	369,057	8,150,866			
81 GRAND TOTAL ALL EXPENSES	9,998,145	78,090	62,135	1,337,997	369,057	8,150,866			



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL SCHEDULES
REQUIRED BY THE CITY OF PHILADELPHIA
OFFICE OF HOMELESS SERVICES**

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

We have audited the financial statements of Episcopal Community Services of the Diocese of Pennsylvania (a nonprofit organization), for the year ended June 30, 2019, and have issued our report thereon dated December 18, 2019. These financial statements are the responsibility of Episcopal Community Services of the Diocese of Pennsylvania's management. 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; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *City of Philadelphia Subrecipient Audit Guide*. Those standards and the *City of Philadelphia Subrecipient Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Episcopal Community Services of the Diocese of Pennsylvania taken as a whole. The accompanying reconciliations of agency reported expenditures/revenues to audited expenditures/revenues are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
December 18, 2019**

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 17-20286-02**

RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDITED EXPENDITURES/REVENUES

JULY 1, 2018 TO JUNE 30, 2019

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>				<u>Adjustments</u>				<u>Amount Per Audit</u>			
	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 414,146	\$ 217,543	\$ -	\$ 631,689	\$ -	\$ -	\$ -	\$ -	\$ 414,146	\$ 217,543	\$ -	\$ 631,689
Fringe Benefits	117,571	60,740	-	178,311	-	-	-	-	117,571	60,740	-	\$ 178,311
Total	<u>\$ 531,717</u>	<u>\$ 278,283</u>	<u>\$ -</u>	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,717</u>	<u>\$ 278,283</u>	<u>\$ -</u>	<u>\$ 810,000</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 18-20314-01**

RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDITED EXPENDITURES/REVENUES

JULY 1, 2018 TO JUNE 30, 2019

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>				<u>Adjustments</u>				<u>Amount Per Audit</u>			
	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 77,250	\$ -	\$ -	\$ 77,250	\$ -	\$ -	\$ -	\$ -	\$ 77,250	\$ -	\$ -	\$ 77,250
Fringe Benefits	22,750	-	-	22,750	-	-	-	-	22,750	-	-	22,750
Sub-Total: Personnel Services	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Rental assistance	265,143	-	-	265,143	-	-	-	-	265,143	-	-	265,143
Total	<u>\$ 365,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,143</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 19-20212**

RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDITED EXPENDITURES/REVENUES

JULY 1, 2018 TO JUNE 30, 2019

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>				<u>Adjustments</u>				<u>Amount Per Audit</u>			
	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 54,516	\$ -	\$ -	\$ 54,516	\$ -	\$ -	\$ -	\$ -	\$ 54,516	\$ -	\$ -	\$ 54,516
Fringe Benefits	16,355	-	-	16,355	-	-	-	-	16,355	-	-	16,355
Staff Travel	1,369	-	-	1,369	-	-	-	-	1,369	-	-	1,369
Sub-Total: Personnel Services	<u>72,240</u>	<u>-</u>	<u>-</u>	<u>72,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,240</u>	<u>-</u>	<u>-</u>	<u>72,240</u>
Utilities	5,340	-	-	5,340	-	-	-	-	5,340	-	-	5,340
Supplies (Office/Program)	2,420	-	-	2,420	-	-	-	-	2,420	-	-	2,420
Sub-Total: Operating Expenses	<u>7,760</u>	<u>-</u>	<u>-</u>	<u>7,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,760</u>	<u>-</u>	<u>-</u>	<u>7,760</u>
Total	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 19-20587**

RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDITED EXPENDITURES/REVENUES

JULY 1, 2018 TO JUNE 30, 2019

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>				<u>Adjustments</u>				<u>Amount Per Audit</u>			
	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 2,174	\$ -	\$ -	\$ 2,174	\$ -	\$ -	\$ -	\$ -	\$ 2,174	\$ -	\$ -	\$ 2,174
Fringe Benefits	727	-	-	727	-	-	-	-	727	-	-	727
Sub-Total: Personnel Services	2,901	-	-	2,901	-	-	-	-	2,901	-	-	2,901
Utilities	329	-	-	329	-	-	-	-	329	-	-	329
Communications/Telephone	80	-	-	80	-	-	-	-	80	-	-	80
Supplies (Office/program)	1,184	-	-	1,184	-	-	-	-	1,184	-	-	1,184
Sub-Total: Operating Expenses	1,593	-	-	1,593	-	-	-	-	1,593	-	-	1,593
Rental Assistance	29,983	-	-	29,983	-	-	-	-	29,983	-	-	29,983
Total	\$ 34,477	\$ -	\$ -	\$ 34,477	\$ -	\$ -	\$ -	\$ -	\$ 34,477	\$ -	\$ -	\$ 34,477