

Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements
Year ended June 30, 2020



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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, 2020 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 November 12, 2020, 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.

BBO, LLP.

**Philadelphia, Pennsylvania
November 12, 2020**

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 2,783,286	\$ 795,124
Grants receivable	782,981	521,811
Contributions receivable	1,979,021	632,020
Prepaid expenses	294,188	372,544
Land, buildings, building improvements, equipment, and furniture and fixtures, net	2,381,231	2,512,104
Long-term investments	68,557,274	68,572,424
Beneficial interest in charitable remainder trusts	579,000	614,000
Beneficial interest in perpetual trusts	<u>3,423,000</u>	<u>3,486,000</u>
Total assets	<u>\$ 80,779,981</u>	<u>\$ 77,506,027</u>
LIABILITIES		
Line of credit	\$ -	\$ 150,000
Loan payable - Paycheck Protection Program	1,399,900	-
Accounts payable and accrued expenses	<u>816,833</u>	<u>1,182,804</u>
Total liabilities	<u>2,216,733</u>	<u>1,332,804</u>
NET ASSETS		
Without donor restrictions		
Board designated - endowment	26,970,681	27,508,381
Board designated - other	1,033,206	765,878
Undesignated	<u>2,480,142</u>	<u>2,424,041</u>
Total	30,484,029	30,698,300
With donor restrictions	<u>48,079,219</u>	<u>45,474,923</u>
Total net assets	<u>78,563,248</u>	<u>76,173,223</u>
Total liabilities and net assets	<u>\$ 80,779,981</u>	<u>\$ 77,506,027</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2020 with comparative totals for 2019

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Undesignated	Board Designated	Total		2020	2019
SUPPORT, REVENUE AND GAINS						
Support						
Contributions	\$ 1,866,172	\$ -	\$ 1,866,172	\$ 2,804,260	\$ 4,670,432	\$ 1,470,663
Diocese of Pennsylvania	90,000	-	90,000	-	90,000	92,886
Legacies and bequests	17,849	-	17,849	189,885	207,734	1,130,746
Federal, state, and local grants	3,623,939	-	3,623,939	-	3,623,939	3,534,214
Foundations	349,728	-	349,728	55,380	405,108	435,500
Fees	-	-	-	-	-	67,849
Other	51,598	-	51,598	-	51,598	19,356
Total support	5,999,286	-	5,999,286	3,049,525	9,048,811	6,751,214
Revenue and gains						
Trust and fiduciary income	193,539	-	193,539	-	193,539	133,769
Investment income	79,871	1,523,520	1,603,391	2,211,882	3,815,273	5,006,781
Change in value of beneficial interest in perpetual trusts	-	-	-	(63,000)	(63,000)	(74,000)
Total revenue and gains	273,410	1,523,520	1,796,930	2,148,882	3,945,812	5,066,550
Net assets released from restrictions/designations						
Endowment spending policy	3,031,524	(1,226,208)	1,805,316	(1,805,316)	-	-
Other transfers	567,684	(567,684)	-	-	-	-
Expiration of purpose and time restrictions	788,795	-	788,795	(788,795)	-	-
Total net assets released from restrictions/designations	4,388,003	(1,793,892)	2,594,111	(2,594,111)	-	-
Total support, revenue and gains	10,660,699	(270,372)	10,390,327	2,604,296	12,994,623	11,817,764
EXPENSES						
Program services	7,722,373	-	7,722,373	-	7,722,373	7,281,175
Management and general	1,776,531	-	1,776,531	-	1,776,531	1,717,794
Fundraising	1,105,694	-	1,105,694	-	1,105,694	999,176
Total expenses	10,604,598	-	10,604,598	-	10,604,598	9,998,145
CHANGES IN NET ASSETS	56,101	(270,372)	(214,271)	2,604,296	2,390,025	1,819,619
NET ASSETS						
Beginning of year	2,424,041	28,274,259	30,698,300	45,474,923	76,173,223	74,353,604
End of year	\$ 2,480,142	\$ 28,003,887	\$ 30,484,029	\$ 48,079,219	\$ 78,563,248	\$ 76,173,223

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020 with comparative totals for 2019

	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	\$ 103,224	\$ 196,115	\$ 445,505	\$ 1,355,618	\$ 260,919	\$ 1,649,073	\$ 189,785
Payroll taxes and employee benefits	<u>25,794</u>	<u>49,556</u>	<u>114,936</u>	<u>328,788</u>	<u>65,692</u>	<u>306,310</u>	<u>49,419</u>
Total personnel expenses	129,018	245,671	560,441	1,684,406	326,611	1,955,383	239,204
OPERATING EXPENSES							
Occupancy	1,792	6,402	7,012	107,824	3,748	796	1,997
Specific assistance	3,547	512	19,991	69,904	235,949	19,771	-
Philadelphia Office of Homeless Services							
Professional fees	501	952	22,834	6,580	1,267	59,530	921
Insurance	2,460	4,674	10,617	36,697	6,218	39,302	4,523
Office expense	4,090	7,482	9,592	83,260	10,668	60,911	3,830
Staff travel and training	857	3,786	3,481	32,890	3,261	32,879	6,769
Publicity and printing	1,677	3,186	27,882	22,025	4,239	26,793	3,083
Appeals	783	1,488	3,380	10,285	1,980	12,511	3,463
Gifts in kind	-	-	-	-	-	-	-
Other	<u>16,093</u>	<u>28,119</u>	<u>33,931</u>	<u>80,462</u>	<u>18,756</u>	<u>414,565</u>	<u>62,095</u>
Total expenses before depreciation	160,818	302,272	699,161	2,134,333	612,697	2,622,441	325,885
Depreciation	<u>7,841</u>	<u>28,008</u>	<u>30,679</u>	<u>119,091</u>	<u>39,734</u>	<u>12,636</u>	<u>8,738</u>
Total functional expenses	<u>\$ 168,659</u>	<u>\$ 330,280</u>	<u>\$ 729,840</u>	<u>\$ 2,253,424</u>	<u>\$ 652,431</u>	<u>\$ 2,635,077</u>	<u>\$ 334,623</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>2020</u>	<u>2019</u>
\$ 318,244	\$ 4,518,483	\$ 1,104,204	\$ 697,983	\$ 1,802,187	\$ 6,320,670	\$ 5,450,452
<u>78,672</u>	<u>1,019,167</u>	<u>280,351</u>	<u>181,826</u>	<u>462,177</u>	<u>1,481,344</u>	<u>1,396,190</u>
396,916	5,537,650	1,384,555	879,809	2,264,364	7,802,014	6,846,642
1,422	130,993	13,381	5,355	18,736	149,729	138,727
6,695	356,369	1,080	-	1,080	357,449	730,065
14,163	106,748	162,775	43,524	206,299	313,047	279,677
7,586	112,077	26,318	16,635	42,953	155,030	141,564
6,335	186,168	19,503	11,596	31,099	217,267	229,237
5,169	89,092	14,949	17,363	32,312	121,404	147,316
5,171	94,056	17,940	11,351	29,291	123,347	116,875
2,415	36,305	13,702	44,834	58,536	94,841	91,198
104,869	104,869	-	-	-	104,869	101,746
<u>61,079</u>	<u>715,100</u>	<u>63,789</u>	<u>51,799</u>	<u>115,588</u>	<u>830,688</u>	<u>850,113</u>
611,820	7,469,427	1,717,992	1,082,266	2,800,258	10,269,685	9,673,160
<u>6,219</u>	<u>252,946</u>	<u>58,539</u>	<u>23,428</u>	<u>81,967</u>	<u>334,913</u>	<u>324,985</u>
<u>\$ 618,039</u>	<u>\$ 7,722,373</u>	<u>\$ 1,776,531</u>	<u>\$ 1,105,694</u>	<u>\$ 2,882,225</u>	<u>\$ 10,604,598</u>	<u>\$ 9,998,145</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

Year ended June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 2,390,025	\$ 1,819,619
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation	334,913	324,985
Net realized and unrealized gain on investments	(2,178,066)	(3,300,950)
Contribution of beneficial interest in charitable remainder trust	-	(432,000)
Contributions restricted for long-term purposes	(106,329)	(211,244)
Change in value of charitable remainder trusts	35,000	13,000
Change in value of beneficial interest in perpetual trusts	63,000	74,000
(Increase) decrease in		
Philadelphia Office of Homeless Services		
Contributions and grants receivable	(1,608,171)	257,982
Prepaid expenses	78,356	(66,664)
Increase (decrease) in		
Accounts payable and accrued expenses	(365,971)	(3,639)
Net cash used for operating activities	<u>(1,357,243)</u>	<u>(1,524,911)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,490,981)	(15,407,415)
Proceeds from the sale of investments	11,684,197	17,133,120
Additions to land, buildings, building improvements, equipment and furniture and fixtures	(204,040)	(558,315)
Net cash provided by investing activities	<u>1,989,176</u>	<u>1,167,390</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	(150,000)	(25,000)
Proceeds from loan payable - Paycheck Protection Program	1,399,900	-
Collections of contributions restricted for investment in endowment	106,329	361,244
Net cash provided by financing activities	<u>1,356,229</u>	<u>336,244</u>
Change in cash	1,988,162	(21,277)
CASH		
Beginning of year	<u>795,124</u>	<u>816,401</u>
End of year	<u>\$ 2,783,286</u>	<u>\$ 795,124</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(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, 2020

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 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, 2020

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 2021. 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, 2019, from which the summarized information was derived.

Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. ECS adopted ASU 2018-08 on July 1, 2019. ECS' revenue recognition policies are detailed within Note 2. The adoption of this standard didn't have a material impact on ECS.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 738,113	\$633,020
One to five years	<u>1,322,525</u>	<u>10,000</u>
	2,060,638	643,020
Less allowance	<u>(81,617)</u>	<u>(11,000)</u>
	<u>\$1,979,021</u>	<u>\$632,020</u>

Grants receivable are expected to be collected in 2021. ECS has conditional grants of \$994,418 at June 30, 2020.

(4) INVESTMENTS

The fair value of ECS' investments at June 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 481,054	\$ 955,654
Exchange traded and mutual funds		
Equity	20,126,993	20,810,966
Fixed income	16,179,108	15,941,964
Common stocks	31,270,119	30,363,840
Limited partnership	<u>500,000</u>	<u>500,000</u>
	<u>\$68,557,274</u>	<u>\$68,572,424</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>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,834,731	\$ 1,905,234
Net realized and unrealized gain	2,178,066	3,300,950
Less investment management fees	<u>(197,524)</u>	<u>(199,403)</u>
	<u>\$ 3,815,273</u>	<u>\$ 5,006,781</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

As of June 30, 2020 and 2019, land, buildings, building improvements, equipment, and furniture and fixtures consist of:

	<u>2020</u>	<u>2019</u>
Land	\$ 40,000	\$ 40,000
Buildings	2,904,753	2,842,865
Building improvements	2,401,836	2,401,836
Equipment, and furniture and fixtures	<u>2,641,679</u>	<u>2,499,527</u>
	7,988,268	7,784,228
Less accumulated depreciation	<u>(5,607,037)</u>	<u>(5,272,124)</u>
	<u>\$ 2,381,231</u>	<u>\$ 2,512,104</u>

(6) LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

ECS received a \$1,399,900 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act in March 2020 and administered by the Small Business Administration. The loan accrues interest at 1% and payments are required to begin on the deferral expiration date. ECS is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Management anticipates substantially meeting these requirements and applying for forgiveness in the year ended June 30, 2021. The loan is uncollateralized and is fully guaranteed by the Federal government.

(7) 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 \$126,756 and \$106,822 for the years ended June 30, 2020 and 2019, respectively.

(8) 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, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2020</u>
Board designated endowment	\$27,508,381	\$1,546,843	\$(2,084,543)	\$26,970,681
Board designated – other	<u>765,878</u>	<u>719,711</u>	<u>(452,383)</u>	<u>1,033,206</u>
	<u>\$28,274,259</u>	<u>\$2,266,554</u>	<u>\$(2,536,926)</u>	<u>\$28,003,887</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(9) 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	\$ 97,150	\$ 32,380	\$ -	\$ (87,150)	\$ 42,380
Youth Center and SYS	-	55,000	-	-	55,000
Community outreach program	113,632	8,276	-	(41,290)	80,618
RISE & Mindset	160,000	92,000	-	(160,000)	92,000
Path to Prosperity	-	1,563,550	-	-	1,563,550
Other	54,360	28,636	-	(49,649)	33,347
For future periods	<u>1,063,707</u>	<u>1,163,354</u>	<u>-</u>	<u>(450,706)</u>	<u>1,776,355</u>
	<u>1,488,849</u>	<u>2,943,196</u>	<u>-</u>	<u>(788,795)</u>	<u>3,643,250</u>
Net assets to be maintained indefinitely					
Endowment funds					
General	648,098	6,250	102,865	(28,889)	728,324
Prosperity Model	39,244	100,079	7,813	(1,749)	145,387
ASH	6,797,111	-	337,312	(302,983)	6,831,440
21 st Century	4,266,249	-	226,778	(190,171)	4,302,856
Mercer	13,044,317	-	650,070	(581,460)	13,112,927
House of Rest	7,911,496	-	437,786	(352,661)	7,996,621
Burd	<u>7,793,559</u>	<u>-</u>	<u>449,258</u>	<u>(347,403)</u>	<u>7,895,414</u>
	<u>40,500,074</u>	<u>106,329</u>	<u>2,211,882</u>	<u>(1,805,316)</u>	<u>41,012,969</u>
Beneficial interest in perpetual trusts	<u>3,486,000</u>	<u>(63,000)</u>	<u>-</u>	<u>-</u>	<u>3,423,000</u>
	<u>\$45,474,923</u>	<u>\$2,986,525</u>	<u>\$2,211,882</u>	<u>\$(2,594,111)</u>	<u>\$48,079,219</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.

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, 2020

(10) 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 4.60% and 4.50% of a moving 13 quarter average of the fair value of the endowment fund for the years ended June 30, 2020 and 2019, respectively.

Changes in the endowment assets for the years ended June 30, 2020 and 2019 are as follows:

	<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>
	<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	<u>(479,841)</u>	<u>-</u>	<u>(479,841)</u>
Balance at June 30, 2019	<u>\$27,508,381</u>	<u>\$40,500,074</u>	<u>\$68,008,455</u>

(11) 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 2021. Advances under this credit line are not collateralized. Advances on this bank credit line were \$0 and \$150,000 at June 30, 2020 and 2019, respectively.

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

(12) 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	\$ 2,783,286
Contributions and grants receivable	2,762,002
Investments	<u>68,557,274</u>
Total financial assets	74,102,562
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes	(3,139,841)
Restricted by donor to be maintained indefinitely	(41,012,969)
Board designated funds	(28,003,887)
Gift annuity assets	(300,469)
Add: FY 2020 Endowment spending policy distribution available for general operations	<u>3,836,917</u>
Total financial assets available within one year	<u>\$ 5,482,313</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.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2020, 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.

SUPPLEMENTARY INFORMATION

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2020

<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	07/01/19 - 06/30/20	\$ 13,199
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through Program:				
Philadelphia Office of Homeless Services Emergency Solutions Grant Program	14.231	18-20314-02	07/01/19 - 06/30/20	67,846
Emergency Solutions Grant Program	14.231	19-20587-02	01/01/19 - 05/31/20	150,000
Total 14.231				<u>217,846</u>
Direct Program:				
Continuum of Care Program	14.267	N/A	05/01/18 - 12/31/19	11,850
<u>U.S. Department of Education</u>				
Pass-Through Program:				
Pennsylvania Department of Education Twenty-First Century Community Learning Centers	84.287	4100068059	10/01/14 - 09/30/20	215,089
Twenty-First Century Community Learning Centers	84.287	4100071635	01/01/16 - 12/31/20	161,496
Twenty-First Century Community Learning Centers	84.287	4100078095	10/01/17 - 09/30/20	300,964
Twenty-First Century Community Learning Centers	84.287	4100083507	07/01/19 - 06/30/20	78,919
Total 84.287				<u>756,468</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	07/01/19 - 06/30/20	1,105,604
Out of School Time Middle	93.558	N/A	07/01/19 - 06/30/20	225,400
Total 93.558				<u>1,331,004</u>
Health Promotion Council of Southeastern Pennsylvania Preventive Health and Health Services Block Grant	93.758	N/A	07/01/19 - 06/30/20	2,750
Total Federal Financial Assistance				<u>2,333,117</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

SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2020

<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>
State Financial Assistance:				
<u>Pennsylvania Department of Human Services</u>				
Philadelphia Department of Human Services, Public Health Management Corporation				
Parenting Collaborative		N/A	07/01/19 - 06/30/20	38,814
Out of School Time Elementary		N/A	07/01/19 - 06/30/20	91,392
Out of School Time Middle		N/A	07/01/19 - 06/30/20	18,633
Philadelphia Office of Homeless Services				
Emergency Housing Services		17-20286-03	07/01/19 - 06/30/20	694,459
Rapid Re-Housing		18-20314-02	07/01/19 - 06/30/20	<u>175,000</u>
Total State Financial Assistance				<u>1,018,298</u>
City Financial Assistance:				
Direct Programs:				
Philadelphia Department of Human Services, Public Health Management Corporation				
Out of School Time Elementary		N/A	07/01/19 - 06/30/20	23,184
Out of School Time Middle		N/A	07/01/19 - 06/30/20	4,726
Parenting Collaborative		N/A	07/01/19 - 06/30/20	9,703
Philadelphia Office of Homeless Services				
Emergency Housing Services		17-20286-03	07/01/19 - 06/30/20	115,541
Rapid Re-Housing		18-20314-02	07/01/19 - 06/30/20	90,656
Rapid Re-Housing		19-20587-02	01/01/19 - 05/31/20	11,774
Pass-Through Program:				
Philadelphia Youth Network				
WorkReady Program		N/A	02/01/20 - 09/30/20	<u>16,940</u>
Total City Financial Assistance				<u>272,524</u>
Total Federal, State and City Financial Assistance				<u>\$ 3,623,939</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, 2020

(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, 2020, 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 November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ECS' 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.

BBO, LLP.

Philadelphia, Pennsylvania
November 12, 2020



**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, 2020. 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, 2020.

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
November 12, 2020

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

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, 2020, and have issued our report thereon dated November 12, 2020. 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
November 12, 2020**

REPORT OF REVENUE BY FUNCTIONAL PROGRAM		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, 2020									
Sources of Revenue		Total All Functions	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	13,199	-	-	-	13,199			
67	U.S. Dept. of Education	756,468	-	-	-	756,468			
68	U.S. Dept. of Health and Human Services	1,333,754	-	1,105,604	225,400	2,750			
69	U.S. Dept. of Housing and Urban Development	11,850	-	-	-	11,850			
71	State Government (Specify)	-	-	-	-	-			
72	Comm. of PA, Dept. of Human Services	16,940	-	-	-	16,940			
74	Phila. DHS	186,452	48,517	114,576	23,359	-			
75	Phila. DHS Comm. Block Grants	-	-	-	-	-			
76	Phila. Office of Homeless Services	1,305,276	-	-	-	1,305,276			
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)	3,945,812	-	-	-	3,945,812			
87	Rental Income	-	-	-	-	-			
88	Endowment Funds	-	-	-	-	-			
89	United Way	-	-	-	-	-			
90	Foundations	405,108	-	-	-	405,108			
91	Program Income	51,598	-	-	-	51,598			
92	Client Fee	-	-	-	-	-			
93	Donations/Misc Income	4,968,166	-	-	-	4,968,166			
95	Grand Total	12,994,623	48,517	1,220,180	248,759	11,477,167			

REPORT OF FUNCTIONAL EXPENDITURES Year Ended June 30, 2020		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	Parenting Collaborative	Out of School Time Elementary	Out of School Time Middle	Non-DHS Services
SALARIES AND WAGES	5,622,687	23,688	1,278,865	276,137	4,043,997
1 Administration	-	-	-	-	-
2 Professional	-	-	-	-	-
3 Clerical	-	-	-	-	-
4 Maintenance & Services	-	-	-	-	-
5 Childcare & Activities	-	-	-	-	-
6 F.I.C.A. (Employer Share)	460,288	2,530	83,954	16,881	356,923
7 Unemployment Compensation	56,841	312	10,368	2,085	44,076
8 Workmen's Compensation	35,183	193	6,417	1,290	27,283
9 Employee Benefits	763,297	2,580	149,567	34,144	577,006
10 Other (Specify)	-	-	-	-	-
11 Total Social Services and Child Care	6,938,296	29,303	1,529,171	330,537	5,049,285
30 TOTAL SALARIES AND WAGES	6,938,296	29,303	1,529,171	330,537	5,049,285
OPERATING EXPENSE AND ADMIN.					
31 Prof. Fees & Contract Payments	301,306	10,403	44,265	7,023	239,615
32 Supplies	239,975	-	82,194	2,303	155,478
33 Telephone	22,406	70	5,034	1,302	16,000
34 Postage & Shipping	20,311	101	4,460	673	15,077
35 Local Transportation	49,304	71	5,722	2,230	41,281
36 Outside Printing etc	46,948	117	10,955	5,206	30,670
37 Conferences, conventions & meetings	54,737	11	13,991	2,976	37,759
38 Subscriptions, publications	-	-	-	-	-
39 Membership dues	-	-	-	-	-
40 Awards & grants	-	-	-	-	-
41 Equip. Furn. & Mtr. Vehicle rentals	-	-	-	-	-
42 Equip. Furn. & Mtr. Vehicle Depr. & Amort.	-	-	-	-	-
43 Fundraising	1,105,694	-	-	-	1,105,694
44 Other (Specify)	-	-	-	-	-
44a Insurance	138,395	1,101	44,102	965	92,227
44b Marketing	111,996	99	30,065	658	81,174
44c Miscellaneous	670,510	16,452	101,100	25,106	527,852
45 Total Social Services & Child Care	2,761,582	28,425	341,888	48,442	2,342,827
OCCUPANCY					
50 Office Rent	15,363	-	9,834	4,866	663
52 Building & Grounds Maint. & Repairs	118,367	212	7,610	1,421	109,124
53 Utilities	86,785	13	2,825	1,189	82,758
56 Depreciation	311,485	322	22,933	2,432	285,798
58 Total Social Services & Child Care	532,000	547	43,202	9,908	478,343
62 TOTAL OCCUPANCY EXPENSE	532,000	547	43,202	9,908	478,343
CHILDREN'S DIRECT EXPENSE					
63 Food or Board Payments	310,479	-	-	-	310,479
65 Clothing, Cleaning & Repairing	62,241	6	19,968	40	42,221
66 Activities, Recreation and Camp	-	-	-	-	-
70 Other (Specify) Specific Assistance	-	-	-	-	-
71 Total Social Services & Child Care	372,720	6	19,968	40	352,700
75 TOTAL CHILDREN'S DIRECT	372,720	6	19,968	40	352,700
GRAND TOTAL EXPENSES					
76 CHILD CARE & SOCIAL SERVICES	10,604,598	58,281	1,934,229	388,927	8,223,155
81 GRAND TOTAL ALL EXPENSES	10,604,598	58,281	1,934,229	388,927	8,223,155



**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, 2020, and have issued our report thereon dated November 12, 2020. 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
November 12, 2020**

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 17-20286-03**

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

July 1, 2019 to June 30, 2020

Contract Categories	Agency Total Contract Expenditures				Adjustments				Amount Per Audit			
	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match
Direct Personnel	\$ 454,360	\$ 169,580	\$ -	\$ 623,940	\$ -	\$ -	\$ -	\$ -	\$ 454,360	\$ 169,580	\$ -	\$ 623,940
Fringe Benefits	134,416	50,877	-	185,293	-	-	-	-	134,416	50,877	-	185,293
Sub-Total: Personnel Services	<u>588,776</u>	<u>220,457</u>	<u>-</u>	<u>809,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,776</u>	<u>220,457</u>	<u>-</u>	<u>809,233</u>
Contracted Services	-	767	-	767	-	-	-	-	-	767	-	767
Total	<u>\$ 588,776</u>	<u>\$ 221,224</u>	<u>\$ -</u>	<u>\$ 810,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 588,776</u>	<u>\$ 221,224</u>	<u>\$ -</u>	<u>\$ 810,000</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 18-20314-02**

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

July 1, 2019 to June 30, 2020

-28-

Contract Categories	Agency Total Contract Expenditures				Adjustments				Amount Per Audit			
	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match
Direct Personnel	\$ 120,932	\$ 30,071	\$ -	\$ 151,003	\$ -	\$ -	\$ -	\$ -	\$ 120,932	\$ 30,071	\$ -	\$ 151,003
Fringe Benefits	35,025	9,021	-	44,046	-	-	-	-	35,025	9,021	-	44,046
Sub-Total: Personnel Services	<u>155,957</u>	<u>39,092</u>	<u>-</u>	<u>195,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,957</u>	<u>39,092</u>	<u>-</u>	<u>195,049</u>
Utilities	1,380	-	-	1,380	-	-	-	-	1,380	-	-	1,380
Contracted Services	2,314	-	-	2,314	-	-	-	-	2,314	-	-	2,314
Insurance	3,970	-	-	3,970	-	-	-	-	3,970	-	-	3,970
Audit	549	-	-	549	-	-	-	-	549	-	-	549
Supplies (Office/program)	1,832	-	-	1,832	-	-	-	-	1,832	-	-	1,832
Communications	181	-	-	181	-	-	-	-	181	-	-	181
Building Maintenance/ Occupancy Costs	<u>7,725</u>	<u>-</u>	<u>-</u>	<u>7,725</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,725</u>	<u>-</u>	<u>-</u>	<u>7,725</u>
Sub-Total: Operating Expenses	<u>17,951</u>	<u>-</u>	<u>-</u>	<u>17,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,951</u>	<u>-</u>	<u>-</u>	<u>17,951</u>
Rental Assistance	<u>120,502</u>	<u>-</u>	<u>-</u>	<u>120,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,502</u>	<u>-</u>	<u>-</u>	<u>120,502</u>
Total	<u>\$ 294,410</u>	<u>\$ 39,092</u>	<u>\$ -</u>	<u>\$ 333,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,410</u>	<u>\$ 39,092</u>	<u>\$ -</u>	<u>\$ 333,502</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA
OFFICE OF HOMELESS SERVICES
CITY OF PHILADELPHIA CONTRACT NUMBER 19-20587-02**

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

July 1, 2019 to June 30, 2020

Contract Categories	Agency Total Contract Expenditures				Adjustments				Amount Per Audit			
	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match	Supportive Services	Admin Costs	Leasing	OHS Match
Direct Personnel	\$ 46,556	\$ -	\$ -	\$ 46,556	\$ -	\$ -	\$ -	\$ -	\$ 46,556	\$ -	\$ -	\$ 46,556
Fringe Benefits	12,751	-	-	12,751	-	-	-	-	12,751	-	-	12,751
Staff Travel	425	-	-	425	-	-	-	-	425	-	-	425
Sub-Total: Personnel Services	59,732	-	-	59,732	-	-	-	-	59,732	-	-	59,732
Utilities	1,118	-	-	1,118	-	-	-	-	1,118	-	-	1,118
Communications/Telephone	377	-	-	377	-	-	-	-	377	-	-	377
Insurance	478	-	-	478	-	-	-	-	478	-	-	478
Audit	478	-	-	478	-	-	-	-	478	-	-	478
Supplies (Office/program)	3,209	-	-	3,209	-	-	-	-	3,209	-	-	3,209
Building Maintenance/ Occupancy Costs	1,112	-	-	1,112	-	-	-	-	1,112	-	-	1,112
Sub-Total: Operating Expenses	6,772	-	-	6,772	-	-	-	-	6,772	-	-	6,772
Rental Assistance	95,270	-	-	95,270	-	-	-	-	95,270	-	-	95,270
Total	\$ 161,774	\$ -	\$ -	\$ 161,774	\$ -	\$ -	\$ -	\$ -	\$ 161,774	\$ -	\$ -	\$ 161,774