

# Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements  
Year ended June 30, 2021



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Philadelphia, PA 19103

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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, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S generally accepted auditing standards; 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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### **Report on Summarized Comparative Information**

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

### **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 15, 2021, 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  
December 15, 2021**

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## STATEMENT OF FINANCIAL POSITION

June 30, 2021 with comparative totals for 2020

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

See accompanying notes

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## STATEMENT OF ACTIVITIES

Year ended June 30, 2021 with comparative totals for 2020

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

See accompanying notes

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021 with comparative totals for 2020

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

See accompanying notes

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## STATEMENT OF CASH FLOWS

Year ended June 30, 2021 with comparative totals for 2020

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

See accompanying notes

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### (1) NATURE OF OPERATIONS

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

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

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

#### **Basis of Presentation**

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

##### ***Without donor restrictions***

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

##### ***With donor restrictions***

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

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

#### **Estimates**

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

#### **Fair Value Measurements of Assets and Liabilities**

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

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

### **Investments**

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

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

### **Contributions and Grants**

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

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

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

### **Beneficial Interest in Charitable Remainder Trusts**

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

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# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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### **Beneficial Interest in Perpetual Trusts**

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

### **Functional Allocation of Expenses**

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

### **Income Tax Status**

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

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

### **Concentrations of Credit Risk**

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

### **Summarized Prior-Year Information**

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

### **Reclassifications**

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### (3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are expected to be collected as follows:

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

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

### (4) INVESTMENTS

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

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

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

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

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

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

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

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### (6) FORGIVENESS OF LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

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

### (7) NET ASSETS WITHOUT DONOR RESTRICTIONS

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

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

### (8) NET ASSETS WITH DONOR RESTRICTIONS

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

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

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

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

**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.

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

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

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

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

### (9) ENDOWMENT FUNDS

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

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

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

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

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

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

### (10) LINE OF CREDIT

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

### (11) RETIREMENT PLANS

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

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

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

### (12) SELF INSURED HEALTH INSURANCE

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

### (13) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

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

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# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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

### Liquidity Management

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

### (14) SUBSEQUENT EVENTS

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

## **SUPPLEMENTARY INFORMATION**

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## SCHEDULE OF EXPENDITURES OF FEDERAL, STATE AND CITY AWARDS

Year ended June 30, 2021

<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>
<b><i>Federal Financial Assistance:</i></b>				
<b><u>U.S. Department of Agriculture</u></b>				
Pass-Through Program:				
Health Promotion Council of Southeastern Pennsylvania Child and Adult Food Care Program	10.558	N/A	07/01/20 - 06/30/21	\$ 6,117
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Pass-Through Program:				
Philadelphia Office of Homeless Services COVID 19 Emergency Solutions Grant Program	14.231	18-20314-03	07/01/20 - 06/30/21	363,335
COVID 19 Emergency Solutions Grant Program	14.231	21-20474	11/01/20 - 09/30/22	134,527
COVID 19 Emergency Solutions Grant Program	14.231	21-20067	07/01/20 - 06/30/21	<u>48,142</u>
<b>Total 14.231</b>				<u>546,004</u>
<b><u>U.S. Department of Education</u></b>				
Pass-Through Program:				
Pennsylvania Department of Education Twenty-First Century Community Learning Centers	84.287	4100068059	10/01/19 - 09/30/20	130,385
Twenty-First Century Community Learning Centers	84.287	4100071635A	01/01/20 - 12/31/21	122,178
Twenty-First Century Community Learning Centers	84.287	4100078095	10/01/19 - 09/30/21	395,005
Twenty-First Century Community Learning Centers	84.287	4100083507	07/01/19 - 06/30/21	<u>337,530</u>
<b>Total 84.287</b>				<u>985,098</u>
<b><u>U.S. Department of Health and Human Services</u></b>				
Pass-Through Programs:				
Philadelphia Department of Human Services, Public Health Management Corporation Temporary Assistance for Needy Families Out of School Time	93.558	N/A	07/01/20 - 06/30/21	<u>895,763</u>
Health Promotion Council of Southeastern Pennsylvania Preventive Health and Health Services Block Grant	93.758	N/A	07/01/20 - 06/30/21	<u>5,010</u>
<b>Total Federal Financial Assistance</b>				<u>2,437,992</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, 2021

<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>
<b>State Financial Assistance:</b>				
<b><u>Pennsylvania Department of Human Services</u></b>				
Philadelphia Department of Human Services, Public Health Management Corporation				
Out of School Time		N/A	07/01/20 - 06/30/21	108,940
Parenting Collaborative		N/A	07/01/20 - 06/30/21	52,566
Philadelphia Office of Homeless Services				
Emergency and Temporary Housing		21-20067	07/01/20 - 06/30/21	<u>97,771</u>
<b>Total State Financial Assistance</b>				<u>259,277</u>
<b>City Financial Assistance:</b>				
Direct Programs:				
Philadelphia Department of Human Services, Public Health Management Corporation				
Out of School Time		N/A	07/01/20 - 06/30/21	171,766
Parenting Collaborative		N/A	07/01/20 - 06/30/21	13,141
Philadelphia Office of Homeless Services				
Emergency and Temporary Housing		21-20067	07/01/20 - 06/30/21	516,212
Rapid Re-Housing		18-20314-03	07/01/20 - 06/30/21	<u>36,665</u>
<b>Total City Financial Assistance</b>				<u>737,784</u>
<b>Total Federal, State and City Financial Assistance</b>				<u>\$ 3,435,053</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, 2021

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### (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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

**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 financial statements. 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  
December 15, 2021



**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, 2021. 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, 2021.

## 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 15, 2021

# EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2021

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### 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 Education
  - Twenty-First Century Community Learning Centers – CFDA Number 84.287
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, 2021, and have issued our report thereon dated December 15, 2021. 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 15, 2021**

REPORT OF REVENUE BY FUNCTIONAL PROGRAM		Agency Name & Address				City of Philadelphia Department of Human Services		
Year Ended June 30, 2021		Episcopal Community Services of the Diocese of Pennsylvania 225 South Third Street Philadelphia, PA 19106						
Sources of Revenue		Total All Functions	Parenting Collaborative	Out of School Time	Non-DHS Services			
65	Other Federal (Specify)							
66	U.S. Dept. of Agriculture	6,117	-	-	6,117			
67	U.S. Dept. of Education	985,098	-	-	985,098			
68	U.S. Dept. of Health and Human Services	900,773	-	895,763	5,010			
69	U.S. Dept. of Housing and Urban Development	-	-	-	-			
71	State Government (Specify)	-	-	-	-			
72	Comm. of PA, Dept. of Human Services	-	-	-	-			
74	Phila. DHS	346,413	65,707	280,706	-			
75	Phila. DHS Comm. Block Grants	-	-	-	-			
76	Phila. Office of Homeless Services	1,196,652	-	-	1,196,652			
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)	20,654,028	-	-	20,654,028			
87	Rental Income	-	-	-	-			
88	Endowment Funds	-	-	-	-			
89	United Way	-	-	-	-			
90	Foundations	447,947	-	-	447,947			
91	Program Income	49,241	-	-	49,241			
92	Client Fee	-	-	-	-			
93	Donations/Misc Income	3,157,010	-	-	3,157,010			
95	Grand Total	27,743,279	65,707	1,176,469	26,501,103			

REPORT OF FUNCTIONAL EXPENDITURES Year Ended June 30, 2021		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	Non-DHS Services		
SALARIES AND WAGES	5,160,838	34,450	1,501,789	3,624,599		
1 Administration	-	-	-	-		
2 Professional	-	-	-	-		
3 Clerical	-	-	-	-		
4 Maintenance & Services	-	-	-	-		
5 Childcare & Activities	-	-	-	-		
6 F.I.C.A. (Employer Share)	421,409	3,333	94,410	323,666		
7 Unemployment Compensation	34,468	273	7,722	26,473		
8 Workmen's Compensation	36,064	285	8,079	27,700		
9 Employee Benefits	940,028	6,816	264,006	669,206		
10 Other (Specify)	-	-	-	-		
11 Total Social Services and Child Care	6,592,807	45,157	1,876,006	4,671,644		
30 TOTAL SALARIES AND WAGES	6,592,807	45,157	1,876,006	4,671,644		
OPERATING EXPENSE AND ADMIN.						
31 Prof. Fees & Contract Payments	310,535	17,317	47,948	245,270		
32 Supplies	230,040	-	92,405	137,635		
33 Telephone	22,633	109	4,652	17,872		
34 Postage & Shipping	19,335	134	4,072	15,129		
35 Local Transportation	6,572	23	697	5,852		
36 Outside Printing etc	46,561	157	6,764	39,640		
37 Conferences, conventions & meetings	69,784	-	3,092	66,692		
38 Subscriptions, publications	-	-	-	-		
39 Membership dues	-	-	-	-		
40 Awards & grants	-	-	-	-		
41 Equip. Furn. & Mtr. Vehicle rentals	-	-	-	-		
42 Equip. Furn. & Mtr. Vehicle Depr. & Amort.	-	-	-	-		
43 Fundraising	1,124,655	-	-	1,124,655		
44 Other (Specify)	-	-	-	-		
44a Insurance	122,470	1,493	43,780	77,197		
44b Marketing	86,823	122	30,623	56,078		
44c Miscellaneous	475,396	13,061	50,357	411,978		
45 Total Social Services & Child Care	2,514,804	32,416	284,390	2,197,998		
OCCUPANCY						
50 Office Rent	16,200	-	14,700	1,500		
52 Building & Grounds Maint. & Repairs	104,687	264	10,057	94,366		
53 Utilities	76,728	-	2,931	73,797		
56 Depreciation	298,070	412	19,564	278,094		
58 Total Social Services & Child Care	495,685	676	47,252	447,757		
62 TOTAL OCCUPANCY EXPENSE	495,685	676	47,252	447,757		
CHILDREN'S DIRECT EXPENSE						
63 Food or Board Payments	238,455	-	-	238,455		
65 Clothing, Cleaning & Repairing	51,736	-	8,831	42,905		
66 Activities, Recreation and Camp	-	-	-	-		
70 Other (Specify) Specific Assistance	-	-	-	-		
71 Total Social Services & Child Care	290,191	-	8,831	281,360		
75 TOTAL CHILDREN'S DIRECT	290,191	-	8,831	281,360		
GRAND TOTAL EXPENSES						
76 CHILD CARE & SOCIAL SERVICES	9,893,487	78,249	2,216,479	7,598,759		
81 GRAND TOTAL ALL EXPENSES	9,893,487	78,249	2,216,479	7,598,759		



**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, 2021, and have issued our report thereon dated December 15, 2021. 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 15, 2021**

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA  
OFFICE OF HOMELESS SERVICES  
CITY OF PHILADELPHIA CONTRACT NUMBER 21-20067**

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

July 1, 2020 to June 30, 2021

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>				<u>Adjustments</u>				<u>Amount Per Audit</u>			
	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 290,721	\$ 194,066	\$ -	\$ 484,787	\$ -	\$ -	\$ -	\$ -	\$ 290,721	\$ 194,066	\$ -	\$ 484,787
Fringe Benefits	86,761	57,562	-	144,323	-	-	-	-	86,761	57,562	-	144,323
<b>Sub-Total: Personnel Services</b>	<u>377,482</u>	<u>251,628</u>	<u>-</u>	<u>629,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,482</u>	<u>251,628</u>	<u>-</u>	<u>629,110</u>
Insurance	6,601			6,601					6,601	-	-	6,601
Contracted Services	-	26,414	-	26,414	-	-	-	-	-	26,414	-	26,414
<b>Total</b>	<u>\$ 384,083</u>	<u>\$ 278,042</u>	<u>\$ -</u>	<u>\$ 662,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,083</u>	<u>\$ 278,042</u>	<u>\$ -</u>	<u>\$ 662,125</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA  
OFFICE OF HOMELESS SERVICES  
CITY OF PHILADELPHIA CONTRACT NUMBER 18-20314-03**

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

**July 1, 2020 to June 30, 2021**

Contract Categories	Agency Total Contract Expenditures					Adjustments					Amount Per Audit				
	Supportive Services	Operating Costs	Admin Costs	Leasing	OHS Match	Supportive Services	Operating Costs	Admin Costs	Leasing	OHS Match	Supportive Services	Operating Costs	Admin Costs	Leasing	OHS Match
Direct Personnel	\$ 135,026	\$ 1,074	\$ 23,081	\$ -	\$ 159,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,026	\$ 1,074	\$ 23,081	\$ -	\$ 159,181
Fringe Benefits	40,503	322	6,920	-	47,745	-	-	-	-	-	40,503	322	6,920	-	47,745
<b>Sub-Total: Personnel Services</b>	<u>175,529</u>	<u>1,396</u>	<u>30,001</u>	<u>-</u>	<u>206,926</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,529</u>	<u>1,396</u>	<u>30,001</u>	<u>-</u>	<u>206,926</u>
Utilities	-	400	-	-	400	-	-	-	-	-	-	400	-	-	400
Contracted Services	-	888	-	-	888	-	-	-	-	-	-	888	-	-	888
Insurance	5,040	-	-	-	5,040	-	-	-	-	-	5,040	-	-	-	5,040
Audit	450	-	-	-	450	-	-	-	-	-	450	-	-	-	450
Supplies (Office/program)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Participant Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Maintenance/ Occupancy Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-Total: Operating Expenses</b>	<u>5,490</u>	<u>1,288</u>	<u>-</u>	<u>-</u>	<u>6,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,490</u>	<u>1,288</u>	<u>-</u>	<u>-</u>	<u>6,778</u>
Rental Assistance	186,296	-	-	-	186,296	-	-	-	-	-	186,296	-	-	-	186,296
<b>Total</b>	<u>\$ 367,315</u>	<u>\$ 2,684</u>	<u>\$ 30,001</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,315</u>	<u>\$ 2,684</u>	<u>\$ 30,001</u>	<u>\$ -</u>	<u>\$ 400,000</u>

**EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA  
OFFICE OF HOMELESS SERVICES  
CITY OF PHILADELPHIA CONTRACT NUMBER 21-20474**

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

**November 1, 2020 to June 30, 2021**

<u>Contract Categories</u>	<u>Agency Total Contract Expenditures</u>					<u>Adjustments</u>					<u>Amount Per Audit</u>				
	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>	<u>Supportive Services</u>	<u>Operating Costs</u>	<u>Admin Costs</u>	<u>Leasing</u>	<u>OHS Match</u>
Direct Personnel	\$ 69,196	\$ -	\$ 16,823	\$ -	\$ 86,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,196	\$ -	\$ 16,823	\$ -	\$ 86,019
Fringe Benefits	20,759	-	5,047	-	25,806	-	-	-	-	-	20,759	-	5,047	-	25,806
<b>Sub-Total: Personnel Services</b>	<u>89,955</u>	<u>-</u>	<u>21,870</u>	<u>-</u>	<u>111,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,955</u>	<u>-</u>	<u>21,870</u>	<u>-</u>	<u>111,825</u>
Utilities	-	3,760	-	-	3,760	-	-	-	-	-	-	3,760	-	-	3,760
Communications/Telephone	-	900	-	-	900	-	-	-	-	-	-	900	-	-	900
Contracted Services	-	2,442	-	-	2,442	-	-	-	-	-	-	2,442	-	-	2,442
Audit	-	683	-	-	683	-	-	-	-	-	-	683	-	-	683
<b>Sub-Total: Operating Expenses</b>	<u>-</u>	<u>7,785</u>	<u>-</u>	<u>-</u>	<u>7,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,785</u>	<u>-</u>	<u>-</u>	<u>7,785</u>
Rental Assistance	14,917	-	-	-	14,917	-	-	-	-	-	14,917	-	-	-	14,917
<b>Total</b>	<u>\$ 104,872</u>	<u>\$ 7,785</u>	<u>\$ 21,870</u>	<u>\$ -</u>	<u>\$ 134,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,872</u>	<u>\$ 7,785</u>	<u>\$ 21,870</u>	<u>\$ -</u>	<u>\$ 134,527</u>