

Episcopal Community Services of the Diocese of Pennsylvania

Financial Statements
Year Ended June 30, 2023



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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**

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Community Services of the Diocese of Pennsylvania and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Community Services of the Diocese of Pennsylvania's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Episcopal Community Services of the Diocese of Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Community Services of the Diocese of Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Episcopal Community Services of the Diocese of Pennsylvania's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP.

Philadelphia, Pennsylvania
January 20, 2024

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FINANCIAL POSITION

June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 2,347,997	\$ 2,719,800
Grants receivable	429,813	555,382
Contributions receivable	915,223	1,329,765
Prepaid expenses	315,159	308,652
Land, buildings, building improvements, equipment, and furniture and fixtures, net	2,096,060	2,208,396
Long-term investments	73,417,412	70,022,656
Beneficial interest in charitable remainder trusts	1,417,000	572,000
Beneficial interest in perpetual trusts	<u>3,563,000</u>	<u>3,486,000</u>
Total assets	<u>\$ 84,501,664</u>	<u>\$ 81,202,651</u>
LIABILITIES		
Line of credit	\$ -	\$ 200,000
Refundable advance	67,235	120,500
Accounts payable and accrued expenses	<u>733,410</u>	<u>762,123</u>
Total liabilities	<u>800,645</u>	<u>1,082,623</u>
NET ASSETS		
Without donor restrictions		
Board designated - endowment	28,897,087	27,588,076
Board designated - other	1,448,982	2,034,730
Undesignated	<u>2,649,393</u>	<u>2,604,474</u>
Total	32,995,462	32,227,280
With donor restrictions	<u>50,705,557</u>	<u>47,892,748</u>
Total net assets	<u>83,701,019</u>	<u>80,120,028</u>
Total liabilities and net assets	<u>\$ 84,501,664</u>	<u>\$ 81,202,651</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF ACTIVITIES

Year ended June 30, 2023 with comparative totals for 2022

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Undesignated	Board Designated	Total		2023	2022
SUPPORT, REVENUE AND GAINS						
Support						
Contributions	\$ 1,383,690	\$ -	\$ 1,383,690	\$ 630,221	\$ 2,013,911	\$ 1,794,744
Legacies, bequests and change in value of beneficial interest in charitable remainder trusts	-	-	-	845,000	845,000	(95,596)
Federal, state, and local grants	3,040,615	-	3,040,615	-	3,040,615	2,778,272
Foundations	625,728	-	625,728	125,000	750,728	474,560
Other	73,339	-	73,339	-	73,339	33,586
Total support	<u>5,123,372</u>	<u>-</u>	<u>5,123,372</u>	<u>1,600,221</u>	<u>6,723,593</u>	<u>4,985,566</u>
Revenue and gains						
Trust and fiduciary income	187,980	-	187,980	-	187,980	249,477
Investment income (loss)	94,148	2,768,271	2,862,419	4,247,634	7,110,053	(11,675,707)
Change in value of beneficial interest in perpetual trusts	-	-	-	77,000	77,000	(625,000)
Total revenue and gains	<u>282,128</u>	<u>2,768,271</u>	<u>3,050,399</u>	<u>4,324,634</u>	<u>7,375,033</u>	<u>(12,051,230)</u>
Net assets released from restrictions/designations						
Endowment spending policy	3,612,000	(1,432,980)	2,179,020	(2,179,020)	-	-
Other transfers	612,028	(612,028)	-	-	-	-
Expiration of purpose and time restrictions	933,026	-	933,026	(933,026)	-	-
Total net assets released from restrictions/designations	<u>5,157,054</u>	<u>(2,045,008)</u>	<u>3,112,046</u>	<u>(3,112,046)</u>	<u>-</u>	<u>-</u>
Total support, revenue and gains	<u>10,562,554</u>	<u>723,263</u>	<u>11,285,817</u>	<u>2,812,809</u>	<u>14,098,626</u>	<u>(7,065,664)</u>
EXPENSES						
Program services	7,594,854	-	7,594,854	-	7,594,854	6,776,633
Management and general	1,880,439	-	1,880,439	-	1,880,439	1,514,746
Fundraising	1,042,342	-	1,042,342	-	1,042,342	935,969
Total expenses	<u>10,517,635</u>	<u>-</u>	<u>10,517,635</u>	<u>-</u>	<u>10,517,635</u>	<u>9,227,348</u>
CHANGES IN NET ASSETS	44,919	723,263	768,182	2,812,809	3,580,991	(16,293,012)
NET ASSETS						
Beginning of year	<u>2,604,474</u>	<u>29,622,806</u>	<u>32,227,280</u>	<u>47,892,748</u>	<u>80,120,028</u>	<u>96,413,040</u>
End of year	<u>\$ 2,649,393</u>	<u>\$ 30,346,069</u>	<u>\$ 32,995,462</u>	<u>\$ 50,705,557</u>	<u>\$ 83,701,019</u>	<u>\$ 80,120,028</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023 with comparative totals for 2022

	Program Services				
	<u>Mindset</u>	<u>St. Barnabas Community Resource Center</u>	<u>Housing</u>	<u>OST Programs</u>	<u>Learning and Evaluation</u>
PERSONNEL EXPENSES					
Salaries	\$ 519,435	\$ 575,186	\$ 403,074	\$ 1,799,457	\$ 210,315
Payroll taxes and employee benefits	<u>110,365</u>	<u>119,996</u>	<u>85,754</u>	<u>281,768</u>	<u>45,056</u>
Total personnel expenses	629,800	695,182	488,828	2,081,225	255,371
OPERATING EXPENSES					
Occupancy	4,967	102,841	3,637	9,096	3,195
Specific assistance	36,025	74,419	308,436	36,735	-
Professional fees	13,976	20,579	7,413	149,692	3,868
Insurance	11,169	15,422	8,666	38,691	4,522
Office expense	7,579	56,209	16,800	55,154	3,824
Staff travel and training	25,912	18,218	16,821	72,238	4,845
Publicity and printing	16,616	47,451	3,583	19,009	1,869
Appeals	2,227	2,466	1,728	7,714	902
Gifts in kind	-	-	-	-	-
Other	<u>44,786</u>	<u>70,941</u>	<u>35,020</u>	<u>430,592</u>	<u>64,491</u>
Total expenses before depreciation	793,057	1,103,728	890,932	2,900,146	342,887
Depreciation	<u>11,989</u>	<u>88,790</u>	<u>6,538</u>	<u>18,890</u>	<u>9,326</u>
Total functional expenses	<u>\$ 805,046</u>	<u>\$ 1,192,518</u>	<u>\$ 897,470</u>	<u>\$ 2,919,036</u>	<u>\$ 352,213</u>

See accompanying notes

Supporting Services

Advocacy and Inclusion	Other	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	
						2023	2022
\$ 345,641	\$ 384,727	\$ 4,237,835	\$ 1,251,662	\$ 618,277	\$ 1,869,939	\$ 6,107,774	\$ 5,238,965
<u>71,257</u>	<u>79,652</u>	<u>793,848</u>	<u>275,108</u>	<u>134,325</u>	<u>409,433</u>	<u>1,203,281</u>	<u>1,322,943</u>
416,898	464,379	5,031,683	1,526,770	752,602	2,279,372	7,311,055	6,561,908
1,626	6,559	131,921	25,623	7,971	33,594	165,515	205,365
-	1,624	457,239	-	-	-	457,239	353,599
6,357	26,486	228,371	72,984	94,203	167,187	395,558	372,049
7,432	8,272	94,174	26,913	13,294	40,207	134,381	126,167
4,333	9,249	153,148	24,892	10,283	35,175	188,323	178,476
3,255	10,657	151,946	19,165	13,211	32,376	184,322	81,128
3,166	3,596	95,290	11,125	5,495	16,620	111,910	62,458
1,482	1,649	18,168	5,366	17,742	23,108	41,276	79,161
-	298,532	298,532	-	-	-	298,532	156,703
<u>39,136</u>	<u>94,128</u>	<u>779,094</u>	<u>105,758</u>	<u>108,302</u>	<u>214,060</u>	<u>993,154</u>	<u>767,842</u>
483,685	925,131	7,439,566	1,818,596	1,023,103	2,841,699	10,281,265	8,944,856
<u>3,924</u>	<u>15,831</u>	<u>155,288</u>	<u>61,843</u>	<u>19,239</u>	<u>81,082</u>	<u>236,370</u>	<u>282,492</u>
<u>\$ 487,609</u>	<u>\$ 940,962</u>	<u>\$ 7,594,854</u>	<u>\$ 1,880,439</u>	<u>\$ 1,042,342</u>	<u>\$ 2,922,781</u>	<u>\$ 10,517,635</u>	<u>\$ 9,227,348</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

STATEMENT OF CASH FLOWS

Year ended June 30, 2023 with comparative totals for 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 3,580,991	\$ (16,293,012)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation	236,370	282,492
Net realized and unrealized (gain) loss on investments	(4,976,177)	13,700,045
Change in value of charitable remainder trusts	(845,000)	122,000
Change in value of beneficial interest in perpetual trusts	(77,000)	625,000
(Increase) decrease in		
Contributions and grants receivable	540,111	336,249
Prepaid expenses	(6,507)	(3,058)
Increase (decrease) in		
Refundable advance	(53,265)	120,500
Accounts payable and accrued expenses	(28,713)	(119,614)
Net cash used for operating activities	<u>(1,629,190)</u>	<u>(1,229,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,261,156)	(21,178,148)
Proceeds from the sale of investments	9,842,577	22,641,013
Additions to land, buildings and building improvements, equipment and furniture and fixtures	<u>(124,034)</u>	<u>(139,341)</u>
Net cash provided by investing activities	<u>1,457,387</u>	<u>1,323,524</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments on line of credit	<u>(200,000)</u>	<u>-</u>
Change in cash	(371,803)	94,126
CASH		
Beginning of year	<u>2,719,800</u>	<u>2,625,674</u>
End of year	<u>\$ 2,347,997</u>	<u>\$ 2,719,800</u>

See accompanying notes

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(1) NATURE OF OPERATIONS

Episcopal Community Services of the Diocese of Pennsylvania ("**ECS**") is an independent Pennsylvania nonprofit corporation. ECS's mission is to challenge and reduce intergenerational poverty. ECS increases the ability of people to improve their lives and achieve economic independence. ECS calls up on every person to participate in sustainable, positive change for our communities.

(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, 2023

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

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

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

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

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

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

Investments

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

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

Contributions and Grants

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

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

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

Beneficial Interest in Charitable Remainder Trusts

The beneficial interest in charitable remainder trusts is reported at the fair value of the related assets less the present value of the payments expected to be made to other beneficiaries. ECS has been named as the remaining beneficiary of four 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, 2023

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 statement 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 2024. Contributions receivable are expected to be collected through 2026 (**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, 2022, from which the summarized information was derived.

Reclassifications

Certain items in the 2022 comparative totals have been reclassified to conform to the 2023 presentation.

(3) CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 383,869	\$ 731,177
One to five years	<u>560,000</u>	<u>635,000</u>
	943,869	1,366,177
Less discount and allowance	<u>(28,646)</u>	<u>(36,412)</u>
	<u>\$ 915,223</u>	<u>\$1,329,765</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Grants receivable are expected to be collected in 2024. At June 30, 2023, ECS has conditional grants of \$919,181.

(4) INVESTMENTS

The fair value of ECS' investments at June 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 694,736	\$ 506,611
U.S. Treasury bonds	73,230	-
Exchange traded and mutual funds		
Equity	17,215,194	16,524,580
Fixed income	16,544,121	18,308,517
Common stocks	38,390,131	34,182,948
Limited partnership	<u>500,000</u>	<u>500,000</u>
	<u>\$73,417,412</u>	<u>\$70,022,656</u>

Investments, with the exception of U.S Treasury bonds (level 2 valuation inputs) and 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 (loss) was comprised of the following for the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 2,388,769	\$ 2,342,651
Net realized and unrealized gain (loss)	4,976,177	(13,700,045)
Less investment management fees	<u>(254,893)</u>	<u>(318,313)</u>
	<u>\$ 7,110,053</u>	<u>\$(11,675,707)</u>

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

As of June 30, 2023 and 2022, land, buildings and building improvements, equipment, and furniture and fixtures consist of:

	<u>2023</u>	<u>2022</u>
Land	\$ 40,000	\$ 40,000
Buildings and building improvements	5,649,588	5,580,856
Equipment, and furniture and fixtures	<u>2,852,764</u>	<u>2,797,462</u>
	8,542,352	8,418,318
Less accumulated depreciation	<u>(6,446,292)</u>	<u>(6,209,922)</u>
	<u>\$ 2,096,060</u>	<u>\$ 2,208,396</u>

(6) 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, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2023</u>
Board designated endowment	\$27,588,076	\$2,741,991	\$(1,432,980)	\$28,897,087
Board designated – other	<u>2,034,730</u>	<u>26,280</u>	<u>(612,028)</u>	<u>1,448,982</u>
	<u>\$29,622,806</u>	<u>\$2,768,271</u>	<u>\$(2,045,008)</u>	<u>\$30,346,069</u>

EPISCOPAL COMMUNITY SERVICES OF THE DIOCESE OF PENNSYLVANIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(7) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Investment Income</u>	<u>Releases</u>	<u>Ending Balance</u>
Subject to expenditure for specific purposes or periods					
SB Community Resource Center	\$ 173,975	\$ 104,000	\$ 8,756	\$ (70,128)	\$ 216,603
Youth	54,724	15,276	-	(35,000)	35,000
Mindset	95,308	32,500	-	(81,273)	46,535
Path to Prosperity	792,234	7,766	-	(400,000)	400,000
Other	53,009	89,500	-	(21,625)	120,884
For future periods	<u>1,286,490</u>	<u>1,351,179</u>	<u>-</u>	<u>(325,000)</u>	<u>2,312,669</u>
	<u>2,455,740</u>	<u>1,600,221</u>	<u>8,756</u>	<u>(933,026)</u>	<u>3,131,691</u>
Net assets to be maintained indefinitely					
Endowment funds					
General	744,617	-	75,238	(38,676)	781,179
Prosperity Model	148,628	-	15,004	(7,716)	155,916
ASH	6,984,173	-	705,700	(362,772)	7,327,101
21 st Century	4,420,614	-	446,673	(229,620)	4,637,667
Mercer	13,405,642	-	1,354,555	(696,312)	14,063,885
House of Rest	8,175,401	-	826,087	(424,644)	8,576,844
Burd	<u>8,071,933</u>	<u>-</u>	<u>815,621</u>	<u>(419,280)</u>	<u>8,468,274</u>
	<u>41,951,008</u>	<u>-</u>	<u>4,238,878</u>	<u>(2,179,020)</u>	<u>44,010,866</u>
Beneficial interest in perpetual trusts	<u>3,486,000</u>	<u>77,000</u>	<u>-</u>	<u>-</u>	<u>3,563,000</u>
	<u>\$47,892,748</u>	<u>\$1,677,221</u>	<u>\$4,247,634</u>	<u>\$(3,112,046)</u>	<u>\$50,705,557</u>

General Endowment – The general endowment fund has a historical dollar value of \$647,498, 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 \$2,626,324, with the income available for initiatives that support the following areas: 1) St. Barnabas Community Resource Center, 2) after school and summer camp programs and 3) other initiatives that assist 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 \$417,671, 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.

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NOTES TO FINANCIAL STATEMENTS

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(8) 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 endowment fund to support various programs. The spending rate was equal to 5.19% and 4.50% of the endowment assets under management at the beginning of the fiscal years ending June 30, 2023 and 2022, respectively.

Changes in the endowment assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2022	\$27,588,076	\$41,951,008	\$69,539,084
Investment income, net	2,735,391	4,238,878	6,974,269
Endowment spending policy distribution	(1,432,980)	(2,179,020)	(3,612,000)
Other transfers	6,600	-	6,600
Balance at June 30, 2023	<u>\$28,897,087</u>	<u>\$44,010,866</u>	<u>\$72,907,953</u>
	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2021	\$33,521,342	\$50,990,412	\$84,511,754
Contributions	-	4	4
Investment loss, net	(4,639,258)	(7,061,016)	(11,700,274)
Endowment spending policy distribution	(1,300,608)	(1,978,392)	(3,279,000)
Other transfers	6,600	-	6,600
Balance at June 30, 2022	<u>\$27,588,076</u>	<u>\$41,951,008</u>	<u>\$69,539,084</u>

(9) 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 2024. Advances under this credit line are not collateralized. There were no advances outstanding on this bank credit line at June 30, 2023. Advances on this bank credit line were \$200,000 at June 30, 2022.

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(10) 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 100% of deferrals up to a maximum of 3% of the employee's compensation. ECS' decision whether to match and the amount of the match are 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 \$122,857 and \$114,531 for the years ended June 30, 2023 and 2022, respectively.

(11) SELF INSURED HEALTH INSURANCE

ECS has a self-insured health benefits plan, which provides medical benefits to 52 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 at June 30, 2023 and 2022.

(12) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash	\$ 2,347,997
Contributions and grants receivable	1,345,036
Investments	<u>73,417,412</u>
Total financial assets	77,110,445
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(1,359,022)
Restricted by donor to be maintained indefinitely	(44,010,866)
Board designated funds	(30,346,069)
Gift annuity assets	(215,294)
Add:	
FY 2024 Endowment spending policy distribution available for general operations	3,771,000
FY 2024 Board designated other funds available for general operations	<u>1,992,200</u>
Total financial assets available within one year	<u>\$ 6,942,394</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.

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(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred that require recognition or disclosure in the financial statements.