

**EPISCOPAL COMMUNITY SERVICES
OF THE DIOCESE OF PENNSYLVANIA
Financial Statements
June 30, 2024
With Independent Auditor's Report**

Episcopal Community Services of the Diocese of Pennsylvania
Table of Contents
June 30, 2024

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Episcopal Community Services of the Diocese of Pennsylvania:

Opinion

We have audited the 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, 2024, 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 accompanying 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 accounting principles generally accepted in the United States of America, 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 GAAS 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 GAAS, 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

Episcopal Community Services of the Diocese of Pennsylvania's 2023 financial statements were previously audited by BBD, LLP who joined with WithumSmith+Brown, PC. on April 1, 2024, and expressed an unmodified audit opinion on those audited financial statements in their report dated January 20, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WithumSmith+Brown, PC

December 20, 2024

Episcopal Community Services of the Diocese of Pennsylvania
Statement of Financial Position
June 30, 2024 With Summarized Comparative Totals for 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 1,179,374	\$ 2,347,997
Grants receivable	362,242	429,813
Contributions receivable	1,139,964	915,223
Prepaid expenses	299,896	315,159
Investments	77,435,163	73,417,412
Land, buildings, building improvements, equipment, and furniture and fixtures, net	2,184,250	2,096,060
Beneficial interest in charitable remainder trusts	1,344,649	1,417,000
Beneficial interest in perpetual trusts	<u>3,750,000</u>	<u>3,563,000</u>
 Total assets	 <u>\$ 87,695,538</u>	 <u>\$ 84,501,664</u>
Liabilities and Net Assets		
Liabilities		
Refundable advance	\$ 42,876	\$ 67,235
Accounts payable and accrued expenses	<u>806,610</u>	<u>733,410</u>
Total liabilities	<u>849,486</u>	<u>800,645</u>
Net assets		
Without donor restrictions		
Board designated - endowment	30,330,085	28,897,087
Board designated - other	757,088	1,448,982
Undesignated	<u>2,686,952</u>	<u>2,649,393</u>
Total net assets without donor restrictions	33,774,125	32,995,462
With donor restrictions	<u>53,071,927</u>	<u>50,705,557</u>
Total net assets	<u>86,846,052</u>	<u>83,701,019</u>
 Total liabilities and net assets	 <u>\$ 87,695,538</u>	 <u>\$ 84,501,664</u>

The Notes to Financial Statements are an integral part of this statement.

Episcopal Community Services of the Diocese of Pennsylvania
Statement of Activities
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Undesignated	Board Designated	Total		2024	2023
Support, revenue and gains						
Support						
Contributions	\$ 1,402,323	\$ -	\$ 1,402,323	\$ 550,774	\$ 1,953,097	\$ 1,715,379
Gifts in-kind	582,354	-	582,354	-	582,354	298,532
Legacies, bequests and change in value of beneficial interest in charitable remainder trusts	93,596	-	93,596	19,876	113,472	845,000
Federal, state, and local grants	2,011,332	-	2,011,332	-	2,011,332	3,040,615
Foundations	540,532	-	540,532	108,531	649,063	750,728
Other	251,217	-	251,217	-	251,217	73,339
Total support	<u>4,881,354</u>	<u>-</u>	<u>4,881,354</u>	<u>679,181</u>	<u>5,560,535</u>	<u>6,723,593</u>
Revenue and gains						
Trust and fiduciary income	172,256	-	172,256	-	172,256	187,980
Net investment income	78,364	3,133,460	3,211,824	4,834,293	8,046,117	7,110,053
Change in value of beneficial interest in perpetual trusts	-	-	-	187,000	187,000	77,000
Total revenue and gains	<u>250,620</u>	<u>3,133,460</u>	<u>3,384,080</u>	<u>5,021,293</u>	<u>8,405,373</u>	<u>7,375,033</u>
Net assets released from restrictions/designations						
Endowment spending policy	3,770,664	(1,494,504)	2,276,160	(2,276,160)	-	-
Other transfers	897,852	(897,852)	-	-	-	-
Expiration of purpose and time restrictions	1,057,944	-	1,057,944	(1,057,944)	-	-
Total net assets released from restrictions/designations	<u>5,726,460</u>	<u>(2,392,356)</u>	<u>3,334,104</u>	<u>(3,334,104)</u>	<u>-</u>	<u>-</u>
Total support, revenue and gains	<u>10,858,434</u>	<u>741,104</u>	<u>11,599,538</u>	<u>2,366,370</u>	<u>13,965,908</u>	<u>14,098,626</u>
Expenses						
Program services	7,801,374	-	7,801,374	-	7,801,374	7,594,854
Supporting services						
Management and general	1,981,531	-	1,981,531	-	1,981,531	1,880,439
Fundraising	1,037,970	-	1,037,970	-	1,037,970	1,042,342
Total expenses	<u>10,820,875</u>	<u>-</u>	<u>10,820,875</u>	<u>-</u>	<u>10,820,875</u>	<u>10,517,635</u>
Change in net assets	37,559	741,104	778,663	2,366,370	3,145,033	3,580,991
Net assets						
Beginning 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>
End of year	<u>\$ 2,686,952</u>	<u>\$ 31,087,173</u>	<u>\$ 33,774,125</u>	<u>\$ 53,071,927</u>	<u>\$ 86,846,052</u>	<u>\$ 83,701,019</u>

The Notes to Financial Statements are an integral part of this statement.

Episcopal Community Services of the Diocese of Pennsylvania
Statement of Functional Expenses
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	Program Service							Supporting Services			Total Expenses		
	Mindset	St. Barnabas Community Resource Center	Housing	OST Programs	Learning and Evaluation	Advocacy and Inclusion	Other	Total Program Services	Management and General	Fundraising	Total Support Services	2024	2023
Personnel expenses													
Salaries	\$ 644,284	\$ 720,114	\$ 405,450	\$ 1,582,055	\$ 221,397	\$ 424,301	\$ 334,228	\$ 4,331,829	\$ 1,348,979	\$ 626,052	\$ 1,975,031	\$ 6,306,860	\$ 6,107,774
Payroll taxes and employee benefits	147,089	158,919	93,174	283,595	51,168	94,588	76,472	905,005	322,692	142,710	465,402	1,370,407	1,203,281
Total personnel expenses	791,373	879,033	498,624	1,865,650	272,565	518,889	410,700	5,236,834	1,671,671	768,762	2,440,433	7,677,267	7,311,055
Other expenses													
Occupancy	6,083	114,736	5,390	24,179	4,655	3,805	5,340	164,188	35,796	9,458	45,254	209,442	165,515
Specific assistance	43,159	81,148	226,553	21,350	-	15,000	-	387,210	-	-	-	387,210	457,239
Professional fees	21,227	31,605	8,843	92,767	4,829	9,254	26,939	195,464	72,165	70,499	142,664	338,128	395,558
Insurance	14,890	19,797	9,371	36,563	5,117	9,806	7,724	103,268	31,176	14,469	45,645	148,913	134,381
Office expense	7,185	61,138	17,560	52,251	3,421	5,004	4,702	151,261	21,002	7,964	28,966	180,227	188,323
Staff travel and training	12,310	13,721	11,003	42,425	7,427	5,342	5,664	97,892	14,464	11,866	26,330	124,222	184,322
Publicity and printing	10,478	27,118	3,528	21,089	1,926	3,958	3,476	71,573	11,736	5,554	17,290	88,863	111,910
Appeals	6,207	6,937	3,906	15,241	2,133	4,087	3,220	41,731	12,995	26,812	39,807	81,538	41,276
Gifts in-kind	-	-	-	-	-	-	582,354	582,354	-	-	-	582,354	298,532
Other	39,986	95,766	25,318	260,871	80,883	27,136	59,905	589,865	73,997	110,962	184,959	774,824	993,154
Total expenses before depreciation	952,898	1,330,999	810,096	2,432,386	382,956	602,281	1,110,024	7,621,640	1,945,002	1,026,346	2,971,348	10,592,988	10,281,265
Depreciation	9,616	96,210	10,470	34,735	17,397	6,462	4,844	179,734	36,529	11,624	48,153	227,887	236,370
Total functional expenses	\$ 962,514	\$ 1,427,209	\$ 820,566	\$ 2,467,121	\$ 400,353	\$ 608,743	\$ 1,114,868	\$ 7,801,374	\$ 1,981,531	\$ 1,037,970	\$ 3,019,501	\$ 10,820,875	\$ 10,517,635

The Notes to Financial Statements are an integral part of this statement.

Episcopal Community Services of the Diocese of Pennsylvania
Statement of Cash Flows
Year Ended June 30, 2024 With Summarized Comparative Totals for 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Change in net assets	\$ 3,145,033	\$ 3,580,991
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	227,887	236,370
Net realized and unrealized gain on investments	(6,050,108)	(4,976,177)
Change in value of charitable remainder trusts	72,351	(845,000)
Change in value of beneficial interest in perpetual trusts	(187,000)	(77,000)
Change in operating assets and liabilities		
Grants receivable	67,571	125,569
Contributions receivable	(224,741)	414,542
Prepaid expenses	15,263	(6,507)
Refundable advance	(24,359)	(53,265)
Accounts payable and accrued expenses	<u>73,200</u>	<u>(28,713)</u>
Net cash used in operating activities	<u>(2,884,903)</u>	<u>(1,629,190)</u>
Investing activities		
Purchase of investments	(9,964,062)	(8,261,156)
Proceeds from the sale of investments	11,996,419	9,842,577
Purchase of land, buildings and building improvements, equipment and furniture and fixtures	<u>(316,077)</u>	<u>(124,034)</u>
Net cash provided by investing activities	<u>1,716,280</u>	<u>1,457,387</u>
Financing activity		
Net repayments on line of credit	<u>-</u>	<u>(200,000)</u>
Net cash used in financing activity	<u>-</u>	<u>(200,000)</u>
Net change in cash and cash equivalents	(1,168,623)	(371,803)
Cash and cash equivalents		
Beginning of year	<u>2,347,997</u>	<u>2,719,800</u>
End of year	<u>\$ 1,179,374</u>	<u>\$ 2,347,997</u>

The Notes to Financial Statements are an integral part of this statement.

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

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 in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, 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:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions.

Net assets 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.

Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates. Significant estimates include the net realizable value of contributions receivable, the fair value of investments, the fair value of beneficial interest in charitable remainder trusts and perpetual trust, depreciable lives of property and equipment and the allocation of functional expenses.

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

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:

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

Level 1 - Valuations based on unadjusted 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.

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.

Contributions and Grants Receivable

ECS records contributions and grants receivable that are expected to be collected within one year at net realizable value (see Note 3). Contributions and grants receivable with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. ECS monitors the collectability of these receivables and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections. ECS has determined that no allowance for uncollectible accounts was necessary at June 30, 2024 and 2023.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest 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.

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 less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Land	N/A
Buildings and building improvements	20-40
Equipment, furniture and fixtures	3-5

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

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

Contributions and Grants

Contributions, grants received and other support, are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor restricted contributions, grants and other support whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions, grants and other support are recognized when the related promise to give is received. Conditional contributions, grants and other support, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met.

A portion of ECS's revenue is derived from cost-reimbursable federal, state and local contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ECS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. ECS received cost-reimbursable grants of \$1,939,225 and \$919,181 that have not been recognized at June 30, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred. ECS has recorded refundable advances under the federal, state and local contracts and grants of \$42,876 and \$67,235 at June 30, 2024 and 2023, respectively.

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 using risk-adjusted discount rates between 2-7% and mortality assumptions using the National Vital Statistics Report, Volume 71 for total population which range from 0 to 14 years. There were no contributions to or distributions from the charitable remainder trusts during the year ended June 30, 2024. The change in value of charitable remainder trusts was a loss of \$72,351 during the year ended June 30, 2024. Beneficial interest in charitable remainder trusts are measured at fair value using Level 3 valuation inputs.

Beneficial Interest in Perpetual Trusts

ECS has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. The perpetual trusts provide for the distribution of the net income of the trusts to ECS; however, ECS will never receive the assets of the trusts. At the date ECS receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

Gifts In-kind

Contributed nonfinancial assets include donated food contributions which are recorded at the fair value received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, management and general, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by GAAP. Contributed goods are recorded at fair value at the date of donation.

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

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.

Concentration

ECS has significant cash and money market fund balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation for up to \$250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on ECS's financial condition, change in net assets, and cash flows.

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 GAAP. Accordingly, such information should be read in conjunction with ECS' financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure, and other financial instruments recorded at amortized cost. ECS adopted the new standard effective July 1, 2023, using the modified retrospective approach. The implementation of this ASU had no material impact on the financial statements.

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 830,055	\$ 383,869
One to five years	<u>325,000</u>	<u>560,000</u>
	1,155,055	943,869
Less: Discount (2%)	<u>(15,091)</u>	<u>(28,646)</u>
	<u>\$ 1,139,964</u>	<u>\$ 915,223</u>

Grants receivable are expected to be collected in less than one year.

4. INVESTMENTS

The fair value of ECS' investments at June 30, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 961,767	\$ 694,736
U.S. Treasury bonds	-	73,230
Exchange-traded and mutual funds		
Equity	18,840,244	17,215,194
Fixed income	16,610,814	16,544,121
Common stocks	40,522,338	38,390,131
Limited partnership	<u>500,000</u>	<u>500,000</u>
	<u>\$ 77,435,163</u>	<u>\$ 73,417,412</u>

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

Net investment income was comprised of the following for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 2,285,023	\$ 2,388,769
Net realized and unrealized gain	6,050,108	4,976,177
Less: Investment management fees	<u>(289,014)</u>	<u>(254,893)</u>
	<u>\$ 8,046,117</u>	<u>\$ 7,110,053</u>

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

5. LAND, BUILDINGS AND BUILDING IMPROVEMENTS, EQUIPMENT, AND FURNITURE AND FIXTURES

As of June 30, 2024 and 2023, land, buildings and building improvements, equipment, and furniture and fixtures consist of:

	<u>2024</u>	<u>2023</u>
Land	\$ 40,000	\$ 40,000
Buildings and building improvements	5,841,653	5,649,588
Equipment, and furniture and fixtures	<u>2,976,776</u>	<u>2,852,764</u>
	8,858,429	8,542,352
Less: Accumulated depreciation	<u>(6,674,179)</u>	<u>(6,446,292)</u>
	<u>\$ 2,184,250</u>	<u>\$ 2,096,060</u>

6. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance June 30, 2024</u>
Board designated endowment	\$ 28,897,087	\$ 3,110,632	\$ (1,677,634)	\$ 30,330,085
Board designated - other	<u>1,448,982</u>	<u>274,554</u>	<u>(966,448)</u>	<u>757,088</u>
	<u>\$ 30,346,069</u>	<u>\$ 3,385,186</u>	<u>\$ (2,644,082)</u>	<u>\$ 31,087,173</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended June 30, 2024:

	<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	\$ 216,603	\$ 57,509	\$ 10,488	\$ (102,239)	\$ 182,361
Youth	35,000	37,175	-	(35,000)	37,175
Mindset	46,535	37,965	-	(47,500)	37,000
Path to Prosperity	400,000	-	-	(400,000)	-
Other	120,884	38,096	-	(91,856)	67,124
For future periods	<u>2,312,669</u>	<u>508,436</u>	<u>-</u>	<u>(381,349)</u>	<u>2,439,756</u>
	<u>3,131,691</u>	<u>679,181</u>	<u>10,488</u>	<u>(1,057,944)</u>	<u>2,763,416</u>
Net assets to be maintained indefinitely					
Endowment funds					
General	781,179	-	85,619	(40,404)	826,394
Prosperity Model	155,916	-	17,077	(8,064)	164,929
ASH	7,327,101	-	803,086	(378,948)	7,751,239
21st Century	4,637,667	-	508,312	(239,856)	4,906,123
Mercer	14,063,885	-	1,541,471	(727,344)	14,878,012
House of Rest	8,576,844	-	940,076	(443,580)	9,073,340
Burd	<u>8,468,274</u>	<u>-</u>	<u>928,164</u>	<u>(437,964)</u>	<u>8,958,474</u>
	44,010,866	-	4,823,805	(2,276,160)	46,558,511
Beneficial interest in perpetual trusts	<u>3,563,000</u>	<u>187,000</u>	<u>-</u>	<u>-</u>	<u>3,750,000</u>
	<u>\$ 50,705,557</u>	<u>\$ 866,181</u>	<u>\$ 4,834,293</u>	<u>\$ (3,334,104)</u>	<u>\$ 53,071,927</u>

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

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.

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 5.30% and 5.19% of the endowment assets under management at the beginning of the fiscal years ending June 30, 2024 and 2023, respectively.

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

Changes in the endowment assets for the year ended June 30, 2024, is as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at June 30, 2023	\$ 28,897,087	\$ 44,010,866	\$ 72,907,953
Investment income, net	3,110,632	4,823,805	7,934,437
Endowment spending policy distribution	(1,494,504)	(2,276,160)	(3,770,664)
Other transfers	(183,130)	-	(183,130)
Balance at June 30, 2024	<u>\$ 30,330,085</u>	<u>\$ 46,558,511</u>	<u>\$ 76,888,596</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 2025. Advances under this credit line are not collateralized. There were no advances outstanding on this bank credit line at June 30, 2024 and 2023.

10. RETIREMENT PLANS

ECS has a 401(k) defined contribution 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.

Total retirement expense was \$136,502 and \$122,857 for the years ended June 30, 2024 and 2023, respectively.

11. SELF INSURED HEALTH INSURANCE

ECS has a self-insured health benefits plan, which provides medical benefits to 58 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, 2024 and 2023.

Episcopal Community Services of the Diocese of Pennsylvania
Notes to Financial Statements
June 30, 2024

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.

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,179,374	\$ 2,347,997
Grants receivable	362,242	429,813
Contributions receivable	1,139,964	915,223
Investments	<u>77,435,163</u>	<u>73,417,412</u>
Total financial assets	80,116,743	77,110,445
Less: Financial assets not available for general expenditures within one year		
Restricted by donor for specific purposes or periods	(1,418,767)	(1,359,022)
Restricted by donor to be maintained indefinitely	(46,558,511)	(44,010,866)
Board designated funds	(31,087,173)	(30,346,069)
Gift annuity assets	(225,687)	(215,294)
Add:		
Subsequent year endowment spending policy distribution available for general operations	3,873,000	3,771,000
Subsequent year board designated endowment funds available for general operations	<u>1,556,009</u>	<u>1,992,200</u>
	<u>\$ 6,255,614</u>	<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 (see Note 9).

13. SUBSEQUENT EVENTS

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