

EPISCOPAL COMMUNITY SERVICES
OF SAN FRANCISCO

JUNE 30, 2020



SINGLE AUDIT REPORT

Episcopal Community Services of San Francisco

Single Audit Report

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Independent Auditors' Report

THE BOARD OF DIRECTORS
EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO
San Francisco, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO (ECS)**, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ECS's preparation and fair presentation of the consolidated 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 ECS'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ECS as of June 30, 2020, 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.

Emphasis of a Matter

In previous years, ECS presented its consolidated statement of financial position and consolidated statement of activities in a manner that showed each of the consolidated entities prior to consolidation along with eliminating entries and then the consolidated totals. For the year ended June 30, 2020, ECS has shown these statements on a consolidated basis and shows the consolidating information as supplementary information.

Other Matters

Report on Summarized Comparative Information

We have previously audited ECS's June 30, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information (pages 29 and 30) is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date December 11, 2020, on our consideration of ECS'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 ECS' 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 ECS's internal control over financial reporting and compliance.

Hood & Strong LLP

San Francisco, California
December 11, 2020

Episcopal Community Services of San Francisco

Consolidated Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 9,189,940	\$ 6,038,074
Grants and contracts receivable	5,770,036	3,241,836
Prepaid expenses and other assets	1,250,274	951,927
Investments	4,457,106	3,727,168
Affiliate receivables	607,813	
Fixed assets, net	50,367,672	52,142,822
Total assets	\$ 71,642,841	\$ 66,101,827
Liabilities:		
Accounts payable and accrued expenses	\$ 4,300,879	\$ 3,485,579
Line of credit	2,500,000	2,500,000
Deferred revenue and contract advances	384,517	366,801
Deferred developer fee		455,749
Notes payable, net	41,505,584	46,301,783
Accrued interest on notes payable	6,064,525	5,956,612
Tenant security deposits	81,149	80,075
Total liabilities	54,836,654	59,146,599
Net Assets:		
Without donor restrictions		
Undesignated	2,170,351	1,963,342
Board designated	259,428	259,428
Non-controlling interests (Note 2)	11,188,039	3,286,978
Total net assets without donor restrictions	13,617,818	5,509,748
With donor restrictions	3,188,369	1,445,480
Total net assets	16,806,187	6,955,228
Total liabilities and net assets	\$ 71,642,841	\$ 66,101,827

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions and foundation grants	\$ 1,764,092	\$ 2,359,926	\$ 4,124,018	\$ 2,068,211
Contributions, gifts-in-kind	770,092		770,092	834,557
Government grants and contracts	36,285,064		36,285,064	32,258,327
Rental income	7,885,326		7,885,326	5,922,663
Other program income	1,190,652		1,190,652	783,179
Interest income	34,908		34,908	67,342
Other income	331,698		331,698	257,390
Release of donor restrictions	617,037	(617,037)	-	-
Total support and revenue	48,878,869	1,742,889	50,621,758	42,191,669
Expenses:				
Program services	45,479,848		45,479,848	38,738,929
Supporting services	4,871,028		4,871,028	4,864,768
Total expenses	50,350,876	-	50,350,876	43,603,697
Change in Net Assets Before Other Changes	(1,472,007)	1,742,889	270,882	(1,412,028)
Other Changes:				
Equity contributions (Note 6)	9,580,077		9,580,077	-
Total Change in Net Assets	8,108,070	1,742,889	9,850,959	(1,412,028)
Net Assets, Beginning of year	5,509,748	1,445,480	6,955,228	8,367,256
Net Assets, End of year	\$ 13,617,818	\$ 3,188,369	\$ 16,806,187	\$ 6,955,228

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Functional Expenses

Year Ending June 30, 2020 (with comparative totals for 2019)

	Shelters	Supportive Housing	Education Employment Services	Senior Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries	\$ 10,639,772	\$ 6,515,378	\$ 1,318,104	\$ 371,486	\$ 18,844,740	\$ 2,544,589	\$ 396,148	\$ 2,940,737	\$ 21,785,477	\$ 17,178,129
Employee benefits and other payroll related costs	3,082,586	1,641,547	352,716	113,123	5,189,972	471,131	74,087	545,218	5,735,190	5,334,282
Professional services	183,059	879,994	64,316	1,188	1,128,557	749,934	100,577	850,511	1,979,068	1,776,296
Training and conferences	43,831	31,258	8,698	2,806	86,593	45,917	2,615	48,532	135,125	235,027
Marketing and printing	31,810	33,408	30,330	2,207	97,755	20,947	7,632	28,579	126,334	184,875
Food products	51,309	83,962	517,255		652,526	3,080		3,080	655,606	668,590
Food products, gifts-in-kind	81,930	681,306	6,856		770,092			-	770,092	834,557
Operating costs - affiliates		4,314,334			4,314,334				4,314,334	3,587,285
Supplies and services	2,465,186	912,155	606,875	40,376	4,024,592	(4,468)	12,382	7,914	4,032,506	3,053,741
Vehicle and transportation	7,488	1,362	2,512		11,362	13		13	11,375	16,634
Occupancy	1,248,418	5,364,057	27,000		6,639,475	65,947		65,947	6,705,422	6,424,331
Telecommunications	116,461	125,909	20,461	8,067	270,898	118,956	7,205	126,161	397,059	276,842
Insurance	67,070	94,074	24,866	4,111	190,121	7,569	1,568	9,137	199,258	134,706
Equipment and maintenance	66,948	349,765	5,632		422,345	32,767	887	33,654	455,999	760,628
Other	5,866	28,166	10,883	798	45,713	62,270	21,541	83,811	129,524	256,479
Inter-program services	1,034,831		(1,034,831)		-				-	-
Total expenses before depreciation and interest	19,126,565	21,056,675	1,961,673	544,162	42,689,075	4,118,652	624,642	4,743,294	47,432,369	40,722,402
Interest expense		814,141			814,141	88,325		88,325	902,466	996,629
Depreciation and amortization		1,975,497	845	290	1,976,632	39,409		39,409	2,016,041	1,884,666
Total Expenses	\$ 19,126,565	\$ 23,846,313	\$ 1,962,518	\$ 544,452	\$ 45,479,848	\$ 4,246,386	\$ 624,642	\$ 4,871,028	\$ 50,350,876	\$ 43,603,697

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 270,882	\$ (1,412,028)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	2,016,041	1,884,666
Loss on disposal of fixed assets	75,281	44,946
Net realized gain/loss on investments	(631)	(52)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(2,528,200)	1,696,130
Prepaid expenses and other assets	(298,347)	(131,613)
Affiliate receivables	(607,813)	
Accounts payable and accrued expenses	815,300	(916,835)
Deferred revenue and contract advances	17,716	(1,416,222)
Developer fee	(455,749)	
Accrued interest on notes payable	107,913	879,258
Tenant security deposits	1,074	(8,497)
Net cash (used) provided by operating activities	(586,533)	619,753
Cash Flows from Investing Activities:		
Proceeds from sales of investments	4,038,961	1,927,923
Proceeds from disposition of other assets		64,871
Purchases of investments	(4,768,268)	(2,171,822)
Additions to fixed assets	(300,550)	(432,897)
Net cash used by investing activities	(1,029,857)	(611,925)
Cash Flows from Financing Activities:		
Capital contribution for CKA II	9,580,077	
Proceeds on notes payable	3,000,000	2,530,146
Paycheck protection program loan proceeds	3,374,200	
Payments on notes payable	(11,186,021)	(1,216,975)
Payments on line of credit	2,500,000	5,660,000
Borrowings on line of credit	(2,500,000)	(4,870,000)
Net cash provided by financing activities	4,768,256	2,103,171
Net Increase in Cash and Cash Equivalents	3,151,866	2,110,999
Cash and Cash Equivalents, Beginning of year	6,038,074	3,927,075
Cash and Cash Equivalents, End of year	\$ 9,189,940	\$ 6,038,074
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 5,615,492	3,340,506
Restricted cash	3,574,448	2,697,568
	\$ 9,189,940	6,038,074
Supplemental Cash Flow Information:		
Interest paid	\$ 781,488	\$ 114,415
Noncash Investing and Financing Activities:		
Assets acquired by assuming long-term liabilities	\$ -	\$ 1,171,895
Interest added to principal balance of notes payable	\$ 592,984	\$ 1,290,581

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note 1 - Nature of Organization:

Episcopal Community Services of San Francisco (ECS) is a nonprofit organization incorporated in the State of California. ECS helps homeless and very low-income adults and families move with dignity toward greater stability and housing by providing compassionate, individualized services and access to comprehensive resources in the community. ECS has served more than 13,000 single adults and people in families during the year ended June 30, 2020 with programs in six service areas: interim housing, supportive housing, the single adult coordinated entry system, behavioral health, workforce development and social enterprise, and healthy aging.

ECS has been impacted by the COVID-19 pandemic (see Note 13). As a result, it was classified as an essential service providing needs assistance to those impacted by the pandemic. ECS shifted its operations to comply with State and local mandates for delivering needed services to the community. During the last quarter of the fiscal year, the community responded to the COVID-19 pandemic with significant non-recurring support to ECS in the form of cash and in-kind contributions. These contributions will assist in providing the needed support to those impacted by the pandemic. This increase in contributions can be seen in the Consolidated Statement of Activities and Changes in Net Assets comparison to the prior fiscal year.

Interim Housing

The Sanctuary and **Next-Door** shelters accommodate up to 534 men and women each day and night of the year. Clean bedding, hot showers, and nutritious meals help guests meet their immediate needs, while ECS's staff offers behavioral health services, on-site medical care through a partnership with the Department of Public Health and activities focused on helping shelter guests address their longer-term housing needs and other challenges that contribute to their homeless situation.

ECS operated the **Bryant Navigation Center**, **Bryant Homeless Property Program** and the **Central Waterfront Navigation Center**, as programs designed to engage men and women, many living in encampments, in a low-demand setting, accepting of "partners, pets, and possessions," while embracing them with wrap-around health, social and financial services and housing placement services. The two Navigation Centers served up to 148 guests at a time and the **Bryant Homeless Property Program** can serve up to 500 homeless clients who can store their property for up to 6 months in a clean, safe and secure environment.

The Interfaith Shelter is a collaborative, volunteer-supported effort with the San Francisco Interfaith Council and congregations throughout the City, offering overnight lodging and meals for 60-100 homeless adults each night during the winter months.

ECS began operating **Shelter-in-Place Hotels** in March 2020 as a part of a coordinated, public-private, emergency response to the COVID-19 pandemic. This program offers interim housing, meals, laundry, healthcare, behavioral health, and other support services to over 900 guests in eight hotels and is intended to be a temporary emergency response that ramps-down by June 2021.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Supportive Housing

ECS provides **permanent supportive housing** and services to more than 1,500 individuals at 14 permanent housing sites. Services include on-site case management, vocational counseling, and access to health care for formerly homeless and extremely low-income adults and families, many of whom are dealing with mental health or physical disabilities, substance use issues, literacy challenges, and/or vocational barriers. Services are geared toward ensuring housing retention, building community, and enhancing individual well-being.

ECS is the sponsor and developer of three of the facilities, serving 104 single adults at **Canon Kip Community House**, 47 formerly homeless families at **Canon Barcus Community House**, and 134 men and women at **Bishop Swing Community House**. ECS also provides services for single adults at its master-leased sites—**The Elm** (82 units), **The Mentone** (71 units), **The Hillsdale** (84 units), **The Alder** (117 units), **The Crosby** (124 units) and **The Henry** (121 units); for single adults at Mercy Housing California's **The Rose** (75 units); and for 50 formerly homeless families at Mercy's **1180 4th Street Apartments**, **The Auburn** (121 units), **the Minna Lee** (50 units) and **455 Fell St** (108 units).

Behavioral Health

ECS **Behavioral Health** (formerly Shelter Treatment Access and Resource Team) provides mobile behavioral health services to San Francisco's homeless and housing settings such as shelters, interim housing, navigation centers, shelter-in-place hotels, permanent supportive housing, and other parts of the homeless response system.

Adult Coordinated Entry System

ECS is the lead provider for the **SF Single Adult Coordinated Entry System (ACES)**. ACES serves as the gateway for people experiencing homelessness in the city to be assessed, prioritized and matched to services and housing resources. ACES starts by providing problem solving and assessment, then prioritizes the most vulnerable individuals for Supportive Housing and housing navigation support. Clients who move into housing are offered stabilization services, such as connections to medical care or employment support, which help them transition into and maintain their new housing. ACES served 5,496 people in the year ended June 30, 2020, placing 401 of those people into Supportive Housing.

Workforce Development and Social Enterprise

ECS offers workforce development and employment services as a pillar of preventing and ending homelessness. In partnership with the Adult Coordinated Entry System (ACES), ECS offers **Rapid Re-employment** services including direct referral to employment specialists for people interested in seeking employment, benefits counseling for people seeking to eliminate or reduce their public benefits, and rapid-rehousing subsidies combined with employment.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

The Conquering Homelessness through Employment Food Services (**CHEFS Kitchen**) provides training opportunities and employment at ECS. The **CHEFS Training program** is a free culinary training course combining classroom instruction, case management, in-kitchen hands-on training, and a paid internship with the goal to secure permanent employment. The program prepares students for employment in the culinary field. Students earn a Food Handlers Certificate and hone their abilities, station-by-station, until they have mastered the skills to run a kitchen by themselves.

The **CHEFS Social Enterprise** is a catering and food service program that provides employment opportunities for CHEFS students and graduates. Catering and food service contracts support the program and employees. The program provides catering and food prep services for local organizations and grew substantially in 2020 as it scaled up to prepare and deliver over 246,764 meals to guests and residents in affordable housing, interim housing and shelter-in-place hotels.

Healthy Aging

Canon Kip Senior Center served 1,483 unduplicated homeless or low-income seniors (aged 60 and above) and adults with disabilities during the year ended June 30, 2020. Services include a daily nutritious lunch, recreational and social activities to reduce isolation, support groups, educational workshops and case management for seniors and adults with disabilities.

Note 2 - Summary of Significant Accounting Policies:

The financial statements are prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

a. Principles of Consolidation

The accompanying financial statements reflect the consolidation of the individual financial statements of ECS and its affiliates, Canon Barcus Associates (CBA), Canon Kip Associates II (CKA II), and 275 10th Street Associates, limited partnerships, known collectively as the housing entities. CBA is the owner of Canon Barcus Community House. CKA II purchased Canon Kip Community House on 14th of December 2016 and became its owner. 275 10th Street Associates is the owner of the Bishop Swing Community House. ECS appoints the members of the Boards of Directors of Canon Barcus, Inc. (CBI), the managing general partner of CBA, and of Canon Kip, Inc. (CKI), the managing general partner of CKA II. CBI holds a 0.1% equity interest in CBA and CKI holds a .01% equity interest in CKA II. 275 10th Street, LLC, of which ECS is the sole member, serves as the general partner of 275 10th Street Associates and holds a 0.01% interest in the partnership. During the year ended June 30, 2020, ECS Housing Corporation was created to be the Managing entity for 275 10th Street LLC.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Non-controlling interest as of June 30, 2020 by affiliate are as follows:

Canon Kip II	\$ 6,119,638
Canon Barcus	814,515
275 10 th Street	3,913,913
Net investment in affiliates	339,973
	<hr/>
	\$ 11,188,039

Consolidated financial statements are required because of the relationships among the housing entities. All significant intercompany accounts and transactions have been eliminated in the consolidation.

b. Description of Net Assets

ECS reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without donor restrictions - The portion of net assets that are not restricted by donor-imposed stipulations. The board of directors has designated \$259,428 for future operations.

Net Assets with donor restrictions - The portion of net assets the use of which by ECS is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ECS.

c. Recognition of Revenue

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to ECS. Donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market discount rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. ECS uses the allowance method to determine uncollectible receivables. The allowance is based upon prior years' experience and management's analysis of specific promises made. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

A portion of ECS's revenue is derived from cost-reimbursable federal and state contracts, which are conditioned upon certain performance requirements and/ or incurring 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 was awarded cost-reimbursable grants of approximately \$11,289,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

During the year ended June 30, 2017 ECS recorded a pledge of a charitable remainder trust, which consists of a remainder interest in a diverse portfolio of investments under trust, currently valued at \$317,505. The trustee is the Episcopal Church in the Diocese of California.

Total in-kind donations received for various program services during the fiscal year 2020 were recognized in the Consolidated Statement of Activities and Changes in Net Assets at their fair value of \$770,092.

d. Cash and Cash Equivalents

For the purpose of the Consolidated Statement of Cash Flows, ECS considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted cash represents developer fees received subject to restrictions from other parties regarding the future use of such cash, tenant security deposits, replacement reserves, and operating reserves. At June 30, 2020, total restricted cash was \$3,574,448.

e. Investments

Investments are valued at fair value. Gains and losses that result from market fluctuations are recognized in the Consolidated Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Interest income is accrued when earned.

Investments are comprised of money market funds of \$4,457,106 and are classified as level 1.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

f. Fair Value Measurements

ECS carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ECS classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

g. Fixed Assets

Fixed assets consisting of buildings and improvements, land, vehicles, tax credit costs, furniture, equipment and leasehold improvements are recorded at cost, or if donated, at the fair value at the date of the gift. Depreciation and amortization have been provided using the straight-line method over the estimated useful lives (three to forty years) of the related assets.

h. Income Taxes

ECS is a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), and the California Revenue and Taxation Code, Section 23701(d). Accordingly, no provision for federal and state income taxes has been reflected in these financial statements.

Canon Kip Associates II, L.P. is a limited partnership that is controlled by Canon Kip, Inc., a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), and the California Revenue and Taxation Code.

Canon Barcus Associates, L.P. is a limited partnership that is controlled by Canon Barcus, Inc., a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), and the California Revenue and Taxation Code.

275 10th Street Associates, L.P. is a limited partnership that is controlled by 275 10th Street LLC, a single member limited liability company.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Management evaluated ECS's tax positions and concluded that ECS had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

i. Functional Allocation of Expenses

The costs of providing program services, management and general and fundraising activities have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Management and general expenses by function have been allocated among program and supporting services classifications utilizing an indirect cost rate based on direct costs such as salaries, depreciation, and professional fees established in the simplified allocation method.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts. Accordingly, actual results could differ from those estimates.

k. Comparative Financial Statements and Reclassifications

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include the sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with ECS's consolidated financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 presentation. The reclassifications had no impact on net assets or the change in net assets.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

1. Recent Accounting Pronouncements

Pronouncement Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. The impact of adopting this guidance is reflected in the consolidated financial statements and did not have a significant impact on the consolidated financial statement disclosures.

Pronouncements Effective in the Future

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual reporting periods beginning after December 15, 2019. ECS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations. ECS is currently evaluating the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. ECS is currently evaluating the impact of this pronouncement on its financial statements.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

m. Subsequent Events

ECS evaluated subsequent events through December 11, 2020, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements other than Notes 6, 13, and 14.

Note 3 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30, 2020:

Government contracts	\$ 4,333,178
Contributions receivable	1,232,412
Tenant receivable	171,971
Other	32,475
	<hr/>
	\$ 5,770,036
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Contributions receivable as of June 30, 2020 are expected to be received as follows: \$578,476 within one year and \$653,936 within two to five years. All other receivables are expected to be collected within one year.

Note 4 - Fixed Assets:

Fixed assets at June 30, 2020 were as follows:

Land	\$ 4,684,708
Site improvements	998,784
Building and building improvements	60,740,215
Leasehold improvements	2,836,116
Furniture and equipment	2,602,862
Vehicles	59,510
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Subtotal	71,922,195
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Less: accumulated depreciation	(21,554,524)
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	\$ 50,367,672
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Depreciation expense for the year ended June 30, 2020 was \$1,945,074.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note 5 - Line of Credit:

At June 30, 2020, ECS had a \$5,000,000 line of credit with First Republic Bank, which is secured by ECS's grants and contracts receivable balances. Interest is payable monthly at prime rate (4.25% at June 30, 2020), and the outstanding balance as of June 30, 2020 is \$2,500,000 and a maturity date of March 20, 2021.

Note 6 - Notes Payable:

Notes payable at June 30, 2020 consist of the following by entity:

ECS	\$ 3,374,200
Canon Kip II	12,958,109
Canon Barcus	8,193,526
275 10 th Street	16,979,749
<hr/>	
Total	\$ 41,505,584

Interest payable consists of the following at June 30, 2020:

ECS	\$ 6,638
Canon Kip II	850,838
Canon Barcus	3,259,254
275 10 th Street	1,947,795
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Total	\$ 6,064,525

Interest expense consists of the following at June 30, 2020:

ECS	\$ 88,325
Canon Kip II	348,972
Canon Barcus	254,257
275 10 th Street	210,912
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Total	\$ 902,466

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

a. Episcopal Community Services of San Francisco

ECS received loan proceeds in the amount of \$3,374,200 with a maturity date of April 19, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as ECS uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. ECS intends to use the proceeds for purposes consistent with the PPP. ECS believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan and it will complete the application process for forgiveness during the fiscal year ending June 30, 2021.

b. Canon Kip, Inc., Canon Kip Associates, L.P. and Canon Kip Associates II, L.P.

The ECS Board of Directors appoints the members of the Board of Directors of Canon Kip, Inc. (CKI). CKI is the managing General Partner of Canon Kip Associates, L.P. II (CKA II). CKI has a .01% ownership interest in CKA II. Until December 14, 2016 Canon Kip Associates owned and operated Canon Kip Community House, 104 units of supportive housing for formerly homeless adults (the Project), developed by ECS in 1994.

The project completed the low-income housing tax credit compliance period on December 31, 2009. On January 1, 2010, National Equity Fund 1992 Limited Partnership, until then CKA's Limited Partner, withdrew from the partnership and ECS entered CKA as the new limited partner.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Canon Kip Associates II, L.P. was formed as a limited partnership on February 12, 2016, to acquire, rehabilitate, own and operate Canon Kip Community House. The initial Limited Partner was ECS. CKA II received a preliminary allocation of low-income housing tax credits in June 2016. On December 14, 2016 ECS withdrew from the partnership and assigned its partnership interest to NEF Assignment Corporation. On that same date CKA transferred the Project, and associated debt, to CKA II as part of a major rehabilitation and re-syndication project for the property. The property underwent substantial rehabilitation which was completed in September 2018. During this development phase CKA II incurred costs, including governmental, legal and consulting fees, as well as construction costs. These costs were funded with the initial capital contributions received from the partners and with draws against notes payable. As of June 30, 2020, CKA II has no additional construction commitments for work to be performed after that date. During the year ended June 30, 2020 this construction loan was repaid after the end of construction with additional capital contributions of \$9,580,077 from the Limited Partners and a \$3,000,000 note from the California Department of Housing and Community Development's Multifamily Housing Program (MHP).

CKA II is controlled by its General Partner, Canon Kip, Inc. ECS has guaranteed CKA II's contractual obligations, including the continued management, development completion, loans, tax credit and operations of CKA II. Management believes that the likelihood of funding a material amount of any of these guarantees is remote.

CKA II, through the General Partner, has entered into a rental assistance payments contract with the City and County of San Francisco's Mayor's Office of Housing (MOH), whereby the project receives rent subsidies for housing eligible for low income individuals as in accordance with the MOH Shelter Plus Care Program through a grant provided to the City by the U.S. Department of Housing and Urban Development (HUD). The program requires that 80 units of residential housing be designated to provide affordable housing and social services to homeless persons who are dually diagnosed with HIV/AIDS, mental health, or substance abuse issues. The contract expires at the termination of the grant from HUD to MOH and was transferred to the partnership upon acquisition of the property.

Subsequent to year end, ECS received \$200,000 in developer fees at the CKA II permanent loan closing in September 2020. At the permanent loan closing, the construction loan was paid off with a loan from the Affordable Housing Program (AHP) and a contribution of partner equity from the Limited Partner, NEF Assignment Corporation.

Notes payable for Canon Kip II are secured by the property and are due upon maturity unless otherwise noted. CKA II has recorded accrued interest expense of \$348,972 in conjunction with the notes payable, which consist of the following at June 30, 2020.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note payable to the City and County of San Francisco (CDBG/HOME) in the maximum amount of \$5,743,396 and bears simple interest of 3% per annum. Annual payments shall be made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full on the 55 th anniversary of the project's "Conversion Date" which is October 1, 2071.	\$ 5,743,396
Note payable to the California Department of Housing and Community Development (HCD/RHCP loan) in the original amount of \$3,240,581 and bears simple interest of 3% per annum. Annual payments shall be made subject to available net cash flow. The loan is due and payable in 2071.	3,240,581
Note payable to Silicon Valley Bank (AHP) in the maximum amount of \$1,030,000, is non-interest bearing, and is due and payable in 2074.	1,030,000
Note payable to California Department of Housing and Community Development's Multifamily Housing Program (MHP) in the original amount of \$3,000,000 and bears simple interest of 3% per annum. Annual payments shall be made in the amount of 0.42% of the outstanding principal balance. The principal and unpaid accrued interest to be repaid in full on the 55 th anniversary of the project's "date of recordation" which is August 26, 2071.	3,000,000
Total	13,013,977
Less: Unamortized loan costs	(55,868)
Total - net of unamortized loan costs	\$ 12,958,109

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

c. Canon Barcus, Inc. and Canon Barcus Associates, L.P.

The ECS Board of Directors appoints the members of the Board of Directors of Canon Barcus, Inc. (CBI). CBI is the managing General Partner of Canon Barcus Associates, L.P. (CBA), which owns Canon Barcus Community House, supportive housing for 47 formerly homeless families. CBI has a 0.1% ownership interest in CBA.

ECS earned a fee of \$455,749 for development of Canon Barcus Community House. The entire amount of the developer fee has been collected and invested in a government money market fund.

ECS has guaranteed CBI's contractual obligations, including continued management and operations of CBA.

ECS funded leasehold improvements and leases administrative and program facilities from CBA for \$1 per year.

Notes payable are secured by the property and assignment of rents and project income unless otherwise noted. CBA has recorded accrued interest expense of \$254,257 in conjunction with the notes payable which consist of the following at June 30, 2020:

Note payable to the City and County of San Francisco in the original amount of \$1,122,250, is non-interest bearing and matures on January 7, 2053.	\$ 1,122,250
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Note payable to the Successor Agency to the San Francisco Redevelopment Agency, in the original amount of \$689,406, bears interest of 3% per annum through maturity in August 2050, and requires payment of principal and interest from 67% of surplus cash, if any, from the prior year's operations. Payment to the Successor Agency to the San Francisco Redevelopment Agency note from surplus cash is subordinate to certain other obligations, including payment of any deferred developer fee or partnership management fee.	689,406
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Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note payable to First Republic Bank dated February 10, 2003 and in the original amount of \$200,000. The loan is interest free, and payments of principal are deferred until maturity in 2033. Upon completion of the loan term without violation of the Requirements, the entire amount of the loan will be forgiven.	200,000
Note payable to the City and County of San Francisco in the original amount of \$7,997,539. The loan agreement states varying interest rates and terms for specified loan amounts and matures in August 2049.	6,217,943
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Total	8,229,599
Less: Unamortized permanent loan costs	(36,073)
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Total - net of unamortized permanent loan costs	\$ 8,193,526

d. 275 10th Street LLC and 275 10th Street Associates, L.P.

ECS is sponsor and developer of Bishop Swing Community House (BSCH), supportive housing for 134 formerly homeless men and women. Ownership of the development, located at 275 10th Street, is held by 275 10th Street Associates, L.P. (The Partnership), which completed construction in July 2009. The Partnership holds a 70-year lease with a 34-year option to extend on the land owned by the Successor Agency to the San Francisco Redevelopment Agency.

275 10th Street, LLC, of which ECS is the sole member, is the General Partner of 275 10th Street Associates, L.P. and holds a 0.01% equity position in the project. During the year ended June 30, 2019, ECS Housing Corporation was created to be the Managing entity for 275 10th Street, LLC. ECS has guaranteed 275 10th Street, LLC's contractual obligations, including the continued management and operations of the development. 275 10th Street Associates, L.P. has funded an operating reserve to cover any unexpected shortfall in operations.

The Partnership holds long-term deferred payment loans from the San Francisco Mayor's Office of Housing and Community Development, the Successor Agency to the San Francisco Redevelopment Agency, and the California Department of Housing and Community Development.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Enterprise Community Investment, Inc. brought in Bank of America Housing Fund VII Limited Partnership, LLP as the Limited Partner in 2008. In June 2011, The Partnership was granted its Low-Income Tax Credit Allocation and Certification, Form 8609, at which time the Limited Partner paid in its final equity contribution, bringing its total investment in the Project to \$13,700,433.

ECS earned a fee of \$697,500 for development of Bishop Swing Community House. The entire amount of the developer fee has been collected, and \$497,500 remains invested in a government money market account to fund restricted developer activities and guaranties required by the investors.

Notes payable are secured by the property and are not due until maturity unless otherwise noted. 275 10th Street Associates has recorded accrued interest expense of \$210,912 in conjunction with the notes payable, which consist of the following at June 30, 2020:

Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for two HOME loans in the original amount of \$1,932,585, is non-interest bearing and matures on June 27, 2060.	\$ 1,907,205
Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for Affordable Housing Funds (AHF) in the original amount of \$5,141,107, is non-interest bearing and matures November 28, 2062.	2,908,505

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note payable to the Successor Agency to the San Francisco Redevelopment Agency, in the original amount of \$5,250,000, is non-interest bearing and matures November 27, 2067.	5,204,726
Note payable to the California Department of Housing and Community Development for Multifamily Housing Program in the original amount of \$7,000,000, bears interest of 3% per annum through maturity on February 10, 2065, and requires payments in the amount of 0.42% per annum on the unpaid principal balance of the loan payable annually through the February 10, 2039, and commencing on the 30th anniversary of annual loan payments per terms of promissory note.	7,000,000
Total	17,020,436
Less: Unamortized permanent loan costs	(40,687)
Total - net of unamortized permanent loan costs	<u>\$ 16,979,749</u>

Additionally, 275 10th Street LLC carries a note payable to Silicon Valley Bank in the original amount of \$675,000. The AHP loan is interest free, and principal payments are deferred until maturity, which is 15 years from the date of project completion. Upon completion of the loan term without violation of loan requirements, the entire amount of the loan will be forgiven. The LLC contributed these funds to the Partnership as a capital contribution in December 2008.

Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions of \$3,188,369 are available for use in accordance with the donors' intent. Net assets of \$617,037 were used in accordance with the donors' intent during the year ended June 30, 2020.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Note 8 - Availability of Financial Assets and Liquidity:

ECS's financial assets available within one year of June 30, 2020 for general expenditures are as follows:

Financial assets at year-end:

Cash and cash equivalents	\$ 9,189,940
Grants and contracts receivable	5,770,036
Investments	4,457,106
Affiliate receivable	607,813

Total financial assets	20,024,895
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Less amounts not available to be used within one year:

Restricted cash	(3,574,448)
Cash restricted for use by the affiliates	(5,159,561)
Net assets with donor restrictions	(3,188,369)
Board designated net assets	(259,428)
Add net assets with purpose restrictions to be met in less than one year	1,067,000

Financial assets available to meet general expenditures over the next twelve months	\$ 8,910,089
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ECS's working capital and cash flows have seasonal variations during the year mostly attributable to the annual cash advances received from the City and County of San Francisco at the beginning of the fiscal year and to the concentration of private donations received during the second and fourth fiscal quarters. The Board can undesignate the Board designated funds and make them available for general operations. To manage liquidity ECS maintains a line of credit of \$5,000,000 with a bank. See Note 5.

Note 9 - Affiliated Organization:

ECS assisted with the creation of 1064 Mission, L.P. (the "Partnership"), a limited partnership established in San Francisco. The Partnership's primary purpose is to acquire, rehabilitate, own, hold for investment, operate, manage, lease or sell the construction of a new affordable housing development. ECS acted as one of the Project Sponsors to collaborate on this housing development. The Partnership is not considered part of ECS's reporting entity because ECS does not have both control and an economic interest in the Partnership. Control is construed to mean majority control of the Partnership through voting interest. Economic interest indicates either residual interest in the Partnership or some form of material financial support.

Total assets of the Partnership were approximately \$50,121,000 and total liabilities were approximately \$43,413,000 according to the Partnership's unaudited financial statements as of June 30, 2020. The liabilities balance includes an amount payable to ECS of \$607,813.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

The managing general partner is required to provide funds in the Partnership from time to time as needed to cover operating deficits by making any letters of credit or other borrowings. Repayment of these borrowings is the sole obligation of managing general partner. Outstanding loans of the Partnership as of June 30, 2020 which are payable to the City and County of San Francisco, Chase Bank and Mercy Housing California were approximately \$30,327,000, \$55,000 and \$294,000, respectively.

Note 10 - Commitments and Contingencies:

Operating Leases

ECS is obligated under certain leases of its facilities through September 30, 2027, and lease options for an additional ten years (one time). ECS is also obligated under several office equipment leases extending through January 14, 2025.

Total future lease obligations are as follows:

Year ending June 30,

2021	\$ 5,063,000
2022	2,946,000
2023	2,290,000
2024	1,971,000
2025	1,947,000
Thereafter	389,000
	<hr/>
	\$ 14,606,000

Rental expense for the year ended June 30, 2020 was \$5,341,075.

Contingencies

ECS' grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. Management believes the ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ECS has no provision for the possible disallowance of program costs on their financial statements. ECS has provided certain guaranties in conjunction with its relationships with CK Associates II, CB Associates, 275 10th Street Associates, and 1064 Mission L.P. Management is of the opinion that ECS will not be called on to fulfill any of the guarantees based upon the current operations of these entities.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Litigation

ECS is contingently liable in connection with litigation claims arising in the normal course of its operations. ECS and its legal counsel believe that the outcome of such matters will not have a significant effect on its financial position or results of activities.

Note 11 - Employee Benefit Plan:

ECS has a 403(b) defined contribution plan that was established in July 2004. All employees are eligible to participate in the plan. ECS reinstated employer matching contributions effective January 9, 2015 and employer contributions effective January 8, 2016. Employees must meet certain criteria in order to receive a discretionary employer match and employer contribution. ECS total matching contributions were \$475,274 for the year ended June 30, 2020.

Note 12 - Concentration of Risk:

Financial instruments which subject ECS to concentrations of credit risk consist principally of cash deposits, grants and contracts receivable.

ECS and its affiliates have cash deposits in financial institutions in excess of federally insured limits of approximately \$9,088,000 at June 30, 2020. Grants and contracts receivable represent unsecured amounts due from federal, state and local governmental agencies.

Note 13 - Global Pandemic and Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many Federal, state and local governmental agencies have declared a state of emergency and issued a variety of recommendations impacting travel, group gatherings, etc. As a result this has significantly impacted ECS' operations in many ways. ECS shifted the way it delivered services to comply with state and local mandates for sheltering in place, social distancing and personal protection equipment for staff and clients. Additionally, the community has risen to the occasion by responding with significant non-recurring support to ECS in the form of cash and in-kind contributions.

During this fiscal year, ECS made significant programmatic adjustments due to the COVID-19 pandemic. In March 2020, due to the COVID-19 pandemic emergency response and the need for physical distancing in congregate settings, Next Door residents were relocated to safe, shelter-in-place locations over the May and June time frame, and that shelter was fully closed in June 2020. The Sanctuary shelter continued offering services, while reducing its capacity from 200 to 73 beds to accommodate for physical distancing.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements

Due to the COVID-19 pandemic emergency response, residents were relocated to safe, shelter-in-place locations over the May and June time frame, and the Bryant and Central Waterfront Navigation centers were fully closed in June 2020. The Bryant Homeless Property Program continues with no significant changes. In-person behavioral health services were paused for approximately four months due to the COVID-19 pandemic. Limited services were offered through tele-health and other physical distancing service delivery methods. Limited in-person behavioral health services resumed in June 2020.

CHEFS training program was put on hold in March of 2020 due to the COVID-19 pandemic and resumed in September 2020 on a limited basis to take into account added safe distancing. In-person, congregate services were paused in March of 2020 due to the COVID-19 pandemic.

Limited services were provided through physically distanced in-person services, telephone and video conferencing, meal take-out, and delivery of activities and technological devices to reduce isolation.

During 2020, ECS was awarded additional government funding as a result of anticipated higher expenses during the pandemic. This funding was used in 2020 and will continue to be used, as needed, during the fiscal year ending June 30, 2021.

Note 14 - Subsequent Events:

ECS entered into a Purchase and Sale Agreement on September 29, 2020 and a Standard Agreement for \$47,854,2020 with the State of California Housing and Community Development Department on November 7, 2020. ECS assigned both of these documents to 1000 Sutter LLC on November 13, 2020. On that date the Granada Hotel was purchased by 1000 Sutter LLC, for which the ECS Housing Corporation is the sole member. To complete the transaction 1000 Sutter LLC entered into two loans, one for \$6,606,766 with the City of San Francisco and another for \$37,000,000 with the San Francisco Housing Accelerator Fund. ECS entered into a Repayment Guaranty, Completion Guaranty, and Environmental Indemnity Agreement with the San Francisco Housing Accelerator Fund for the transaction.

ECS entered into a Purchase and Sale Agreement on November 25, 2020 and a Standard Agreement for \$26,000,000 with the State of California Housing and Community Development Department on November 23, 2020. ECS assigned both of these documents to 440 Geary LLC on December 2, 2020. On that date the Hotel Diva was purchased by 440 Geary LLC, for which ECS Housing Corporation is the sole member. To complete the transaction 440 Geary LLC entered into one loan for \$32,000,000 with the San Francisco Housing Accelerator Fund. ECS entered into a Repayment Guaranty, Completion Guaranty, and Environmental Indemnity Agreement with the San Francisco Housing Accelerator Fund for the transaction.

Episcopal Community Services of San Francisco and Affiliates

Consolidating Statement of Financial Position (See Independent Auditors' Report)

June 30, 2020

	ECS	Canon Kip II	Canon Barcus	275 10th Street	Eliminations	2020 Consolidated
Assets:						
Cash and cash equivalents	\$ 4,030,379	\$ 2,423,232	\$ 1,230,073	\$ 1,506,256		\$ 9,189,940
Grants and contracts receivable	5,607,365	82,390	6,726	73,555		5,770,036
Prepaid expenses and other assets	1,165,990	75,965		8,319		1,250,274
Investments	4,457,106					4,457,106
Affiliate receivables	970,673	265,372	156,026	65,907	\$ (850,165)	607,813
Fixed assets, net	300,802	17,409,015	11,198,623	21,459,232		50,367,672
Investment in affiliates	(339,973)				339,973	-
Total assets	\$ 16,192,342	\$ 20,255,974	\$ 12,591,448	\$ 23,113,269	\$ (510,192)	\$ 71,642,841
Liabilities:						
Accounts payable and accrued expenses	\$ 3,907,620	\$ 107,173	\$ 123,262	\$ 162,824		\$ 4,300,879
Affiliate payables	478,734	183,442	106,423	81,566	\$ (850,165)	-
Line of credit	2,500,000					2,500,000
Deferred revenue and contract advances	307,002	1,545	75,970			384,517
Deferred developer fee						-
Notes payable, net	3,374,200	12,958,109	8,193,526	16,979,749		41,505,584
Accrued interest on notes payable	6,638	850,838	3,259,254	1,947,795		6,064,525
Tenant security deposits		35,229	18,498	27,422		81,149
Total liabilities	10,574,194	14,136,336	11,776,933	19,199,356	(850,165)	54,836,654
Net Assets:						
Without donor restrictions						
Undesignated	2,170,351	6,119,638	814,515	3,913,913	(10,848,066)	2,170,351
Board designated	259,428					259,428
Non-controlling interests (Note 2)					11,188,039	11,188,039
Total net assets without donor restrictions	2,429,779	6,119,638	814,515	3,913,913	339,973	13,617,818
With donor restrictions	3,188,369					3,188,369
Total net assets	5,618,148	6,119,638	814,515	3,913,913	339,973	16,806,187
Total liabilities and net assets	\$ 16,192,342	\$ 20,255,974	\$ 12,591,448	\$ 23,113,269	\$ (510,192)	\$ 71,642,841

Episcopal Community Services of San Francisco and Affiliates

Consolidating Statement of Activities and Changes in Net Assets (See Independent Auditors' Report)

Year Ending June 30, 2020

	2020							
	ECS			Canon Kip II	Canon Barcus	275 10th Street	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total					
Recurring Support and Revenue:								
Contributions and foundation grants	\$ 1,764,092	\$ 2,359,926	\$ 4,124,018					\$ 4,124,018
Contributions, gifts-in-kind	770,092		770,092					770,092
Government grants and contracts	36,285,064		36,285,064					36,285,064
Rental income	2,428,550		2,428,550	\$ 2,129,886	\$ 1,597,579	\$ 1,729,311	\$	7,885,326
Other program income	1,317,941		1,317,941				(127,289)	1,190,652
Interest income	34,571		34,571		74	263		34,908
Other income	279,525		279,525	34,358	12,237	4,910	668	331,698
Release of donor restrictions	617,037	(617,037)	-					-
Total recurring support and revenue	43,496,872	1,742,889	45,239,761	2,164,244	1,609,890	1,734,484	(126,621)	50,621,758
Expenses:								
Program services	38,418,835		38,418,835	2,525,174	2,166,765	2,496,363	(127,289)	45,479,848
Supporting services	4,871,028		4,871,028					4,871,028
Total operating expense	43,289,863		43,289,863	2,525,174	2,166,765	2,496,363	(127,289)	50,350,876
Change in Net Assets Before Other Changes	207,009	1,742,889	1,949,898	(360,930)	(556,875)	(761,879)	668	270,882
Other Changes:								
Equity contributions (Note 6)				9,580,077				9,580,077
Total Change in Net Assets	207,009	1,742,889	1,949,898	9,219,147	(556,875)	(761,879)	668	9,850,959
Net Assets, Beginning of year	2,222,770	1,445,480	3,668,250	(3,099,509)	1,371,390	4,675,792	339,305	6,955,228
Net Assets, End of year	\$ 2,429,779	\$ 3,188,369	\$ 5,618,148	6,119,638	\$ 814,515	\$ 3,913,913	\$ 339,973	\$ 16,806,187

Episcopal Community Services of San Francisco

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant Period	Federal Expenditures
Department of Agriculture				
Passed through the San Francisco Human Services Agency				
State Administrative Matching Grants for Food Stamp Program	10.561	0000208391	7/1/18 - 6/30/19	2,317
State Administrative Matching Grants for Food Stamp Program	10.561	0000334932	7/1/19 - 6/30/20	86,113
Total Department of Agriculture				88,430
Department of Homeland Security				
Federal Emergency Management Agency				
Passed through the San Francisco Emergency Food and Shelter Local Board				
Emergency Food and Shelter National Board Program	97.024	085800-006	7/1/19 - 3/31/20	17,000
Total Department of Homeland Security				17,000
Department of Health and Human Services				
Passed through the San Francisco Human Services Agency				
Temporary Assistance to Needy Families	93.558	0000334932	7/1/19 - 6/30/20	9,309
Medical Assistance Program	93.778	0000216255	7/1/18 - 6/30/19	945
Medical Assistance Program	93.778	0000216257	7/1/18 - 6/30/19	1,381
Medical Assistance Program	93.778	0000331056	7/1/19 - 6/30/20	30,413
Medical Assistance Program	93.778	0000331062	7/1/19 - 6/30/20	20,177
Special Programs for the Aging - Title III, Part C - Nutrition	93.045	0000337446	7/1/19 - 6/30/20	14,090
Total Department of Health and Human Services				76,315
Department of Housing and Urban Development				
Passed through the San Francisco Department of Homelessness & Supportive Housing				
Emergency Solutions Grant Program	14.231	0000336797 E-19-MC-06-0016	7/1/19 - 6/30/20	81,116
Passed through the Office of Economic and Workforce Development				
Community Development Block Grant	14.218	123268-19	7/1/19 - 6/30/20	82,244
Passed through the Mayor's Office of Housing & Community Development				
Community Development Block Grant	14.218	123267-19	7/1/19 - 6/30/20	70,000
Passed through the San Francisco Department of Homelessness & Supportive Housing				
HUD Continuum of Care Program	14.267	CA0060L9T011811	1/2/19 - 1/1/20	111,361
HUD Continuum of Care Program	14.267	CA0060L9T011912	1/2/20 - 1/1/21	116,208
HUD Continuum of Care Program	14.267	CA1463L9T011702	7/1/19 - 6/30/20	28,878
HUD Continuum of Care Program	14.267	CA1463L9T011803	7/1/19 - 6/30/20	39,646
HUD Continuum of Care Program	14.267	CA1387L9T011702	7/1/19 - 6/30/20	90,479
HUD Continuum of Care Program	14.267	CA1387L9T011803	7/1/19 - 6/30/20	693,691
HUD Continuum of Care Program	14.267	CA0033L9T011805	7/1/19 - 6/30/20	277,575
HUD Continuum of Care Program	14.267	CA0033L9T011906	7/1/19 - 6/30/20	97,457
HUD Continuum of Care Program	14.267	CA0041L9T011811	7/1/19 - 6/30/20	599,876
HUD Continuum of Care Program	14.267	CA0042L9T011710	7/1/19 - 6/30/20	620,178
HUD Continuum of Care Program	14.267	CA0042L9T011811	7/1/19 - 6/30/20	907,031
Total Department of Housing and Urban Development				3,815,740
Total Federal Awards				\$ 3,997,485

Note 1 - Basis of Presentation and Accounting:

The Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Episcopal Community Services of San Francisco (ECS) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of ECS, it is not intended to and does not present the financial position, changes in net assets or cash flows of ECS.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance; wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost:

ECS has elected to not use the 10% de minimis indirect cost rate. ECS applies indirect costs in accordance with specific terms of its award agreements.



A Century Strong

**Independent Auditors' 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***

THE BOARD OF DIRECTORS
EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of **EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO (ECS)**, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, 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 11, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ECS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ECS's internal control. Accordingly, we do not express an opinion on the effectiveness of ECS's 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hood & Strong LLP

San Francisco, California
December 11, 2020



A Century Strong

**Independent Auditors' Report
on Compliance for Each Major Federal Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

THE BOARD OF DIRECTORS
EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited **EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO's (ECS)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ECS's major federal programs for the year ended June 30, 2020. ECS's major federal programs are 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ECS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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's 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 each major federal program. However, our audit does not provide a legal determination of ECS's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2020.

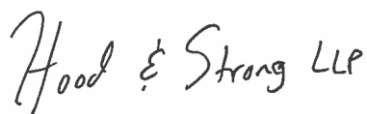
Report on Internal Control Over Compliance

Management of ECS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ECS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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's 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.



San Francisco, California
December 11, 2020

Episcopal Community Services of San Francisco

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? *None Reported*

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditors' report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? *None Reported*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Number(s)
14.267

Name of Federal Program or Cluster
HUD Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Episcopal Community Services of San Francisco

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.