

EPISCOPAL COMMUNITY
SERVICES OF SAN FRANCISCO

JUNE 30, 2018

INDEPENDENT AUDITORS' REPORT,
CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Episcopal Community Services of San Francisco

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A Century Strong

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, 2018, 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. 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 the ECS as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited ECS's June 30, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
November 16, 2018

Episcopal Community Services of San Francisco and Affiliates

Consolidated Statement of Financial Position

June 30, 2018 (With comparative totals for 2017)

	ECS	Canon Kip II	Canon Barcus	275 10th St	Eliminations	2018 Consolidated	2017 Consolidated
Assets:							
Cash and cash equivalents	\$ 1,104,866	\$ 154,245	\$ 154,216	\$ 59,136		\$ 1,472,463	\$ 4,289,178
Grants and contracts receivable	3,811,693					3,811,693	1,703,677
Contributions receivable	300,670					300,670	160,917
Other receivables	1,648	170,412	95,465	558,078		825,603	192,589
Prepaid expenses and other current assets	406,731					406,731	344,382
Investments	3,480,021					3,480,021	2,612,641
Restricted cash			1,464,466	990,146		2,454,612	2,674,262
Affiliate receivables	307,804	17,765	9,781		\$ (335,350)		
Fixed assets, net	188,159	17,615,794	11,764,540	22,947,923		52,516,416	43,617,698
Investment in affiliates	(325,379)				325,379		
Other assets	369,133			44,451		413,584	794,021
Total assets	\$ 9,645,346	\$ 17,958,216	\$ 13,488,468	\$ 24,599,734	\$ (9,971)	\$ 65,681,793	\$ 56,389,365
Liabilities:							
Accounts payable	\$ 1,301,871	\$ 1,651,757	\$ 173,477	\$ 342,330		\$ 3,469,435	\$ 2,106,488
Affiliate payables	27,546	118,949	62,768	126,087	\$ (335,350)		
Line of credit	1,710,000					1,710,000	
Contract advances	1,437,996		2,301			1,440,297	3,071,272
Accrued expenses	1,270,893					1,270,893	1,109,491
Deferred revenue		2,514				2,514	30,246
Deferred developer fee	455,749					455,749	455,749
Notes payable, net		16,929,570	8,511,809	17,082,848		42,524,227	35,400,419
Accrued interest on notes payable		1,704,527	3,078,722	1,586,595		6,369,844	4,476,786
Tenant security deposits		26,442	17,574	27,562		71,578	70,091
Total liabilities	6,204,055	20,433,759	11,846,651	19,165,422	(335,350)	57,314,537	46,720,542
Net Assets:							
Unrestricted:							
Unrestricted	1,842,057	(2,475,543)	1,641,817	5,434,312	(4,600,586)	1,842,057	1,889,514
Board designated	259,428					259,428	253,223
Non-Controlling Interests					4,925,965	4,925,965	6,277,918
Total unrestricted	2,101,485	(2,475,543)	1,641,817	5,434,312	325,379	7,027,450	8,420,655
Temporarily restricted	1,339,806					1,339,806	1,248,168
Total net assets	3,441,291	(2,475,543)	1,641,817	5,434,312	325,379	8,367,256	9,668,823
Total liabilities and net assets	\$ 9,645,346	\$ 17,958,216	\$ 13,488,468	\$ 24,599,734	\$ (9,971)	\$ 65,681,793	\$ 56,389,365

The accompanying notes are an integral part of this statement.

Episcopal Community Services of San Francisco and Affiliates

Consolidated Statement of Activities and Changes in Net Assets

	2018								
	ECS			Canon Kip II	Canon Barcus	275 10th St	Eliminations	Total	2017 Total
	Unrestricted	Temporarily Restricted	Total						
Recurring Support and Revenue:									
Contributions and foundation grants	\$ 1,080,139	\$ 847,107	\$ 1,927,246					\$ 1,927,246	\$ 2,594,037
Contributions, gifts-in-kind	793,761		793,761					793,761	795,721
Government grants and contracts	26,554,601		26,554,601					26,554,601	22,708,242
Rental income	2,487,549		2,487,549	\$ 988,093	\$ 1,424,562	\$ 1,578,169		6,478,373	6,156,518
Other program income	741,167		741,167				\$ (150,351)	590,816	779,825
Interest income	30,483		30,483	3	105	229		30,820	11,263
Other income	25,888		25,888	71,763	9,138	30,623		137,412	79,650
Release of donor restrictions	755,469	(755,469)							
Total recurring support and revenue	32,469,057	91,638	32,560,695	1,059,859	1,433,805	1,609,021	(150,351)	36,513,029	33,125,256
Expenses:									
Program services	28,664,563		28,664,563	926,687	1,147,275	1,357,485	(150,351)	31,945,659	28,795,425
Supporting services	3,817,244		3,817,244					3,817,244	3,572,387
Total operating expense	32,481,807		32,481,807	926,687	1,147,275	1,357,485	(150,351)	35,762,903	32,367,812
Change in Net Assets from Operations	(12,750)	91,638	78,888	133,172	286,530	251,536		750,126	757,444
Loss on retirement of property and equipment									
Depreciation and interest	61,551		61,551	345,662	655,075	989,405		2,051,693	2,087,641
Total expenses	32,543,358		32,543,358	1,272,349	1,802,350	2,346,890	(150,351)	37,814,596	34,455,453
Change in Net Assets including Affiliates	(74,301)	91,638	17,337	(212,490)	(368,545)	(737,869)		(1,301,567)	(1,330,197)
Change in Net Assets resulting from transfer of Can Kip Community House from CKA to CKA II									644,673
Noncontrolling interest in affiliates	33,049		33,049				(33,049)		
Total Change in Net Assets	(41,252)	91,638	50,386	(212,490)	(368,545)	(737,869)	(33,049)	(1,301,567)	(685,524)
Net Assets, Beginning of year	2,142,737	1,248,168	3,390,905	(2,263,053)	2,010,362	6,172,181	358,428	9,668,823	10,354,347
Net Assets, End of year	\$ 2,101,485	\$ 1,339,806	\$ 3,441,291	(2,475,543)	\$ 1,641,817	\$ 5,434,312	\$ 325,379	\$ 8,367,256	\$ 9,668,823

The accompanying notes are an integral part of this statement.

Episcopal Community Services of San Francisco and Affiliates

Consolidated Statement of Functional Expenses

Year Ending June 30, 2018 (with comparative totals for 2017)

	Shelters	Supportive Housing	Education Employment Services	Senior Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Total	2017 Total
Salaries	\$ 6,357,705	\$ 4,549,585	\$ 1,204,142	\$ 350,072	\$ 12,461,504	\$ 1,647,339	\$ 424,408	\$ 2,071,747	\$ 14,533,251	\$ 12,928,696
Employee benefits and other payroll related costs	2,490,162	1,561,492	459,230	130,107	4,640,991	475,058	101,407	576,465	5,217,456	4,880,917
Professional services	56,561	736,897	1,946	2,974	798,378	547,434	38,166	585,600	1,383,978	1,356,411
Professional services, pro-bono										
Training and conferences	19,331	32,519	3,140	1,754	56,744	47,050	2,980	50,030	106,774	89,915
Marketing and printing	29,294	37,941	11,414	3,218	81,867	13,810	109,741	123,551	205,418	161,763
Food products	21,601	91,468	571,120	510	684,699				684,699	702,199
Food products, gifts-in-kind	127,725	571,770	5,182	89,084	793,761				793,761	795,721
Operating costs - affiliates		3,281,096			3,281,096				3,281,096	3,471,995
Supplies and services	853,439	1,118,655	282,633	72,557	2,327,284	97,200	14,773	111,973	2,439,257	1,625,588
Vehicle and transportation	3,062	164	10,162		13,388				13,388	15,610
Occupancy	766,270	4,973,397	25,500		5,765,167	104,715		104,715	5,869,882	5,163,524
Telecommunications	79,679	93,860	16,716	6,272	196,527	29,205	6,709	35,914	232,441	220,408
Insurance	42,391	55,873	13,551	1,819	113,634	5,999	1,502	7,501	121,135	103,062
Equipment and maintenance	31,944	597,824	57,991	13,393	701,152	13,312	5,325	18,637	719,789	724,074
Other	5,917	18,576	4,974		29,467	29,680	44,562	74,242	103,709	87,139
Interest - operations						56,869		56,869	56,869	40,791
Inter-program services	1,288,579		(1,288,579)							
Total expenses before depreciation	12,173,660	17,721,117	1,379,122	671,760	31,945,659	3,067,671	749,573	3,817,244	35,762,903	32,367,813
Depreciation and interest		2,039,785	847	1,740	2,042,372	9,321		9,321	2,051,693	2,087,640
Total expenses	12,173,660	19,760,902	1,379,969	673,500	33,988,031	3,076,992	749,573	3,826,565	37,814,596	34,455,453
Recovery of administrative costs	1,216,469	1,431,429	265,816	66,751	2,980,465	(2,980,465)		(2,980,465)		
	\$ 13,390,129	\$ 21,192,331	\$ 1,645,785	\$ 740,251	\$ 36,968,496	\$ 96,527	\$ 749,573	\$ 846,100	\$ 37,814,596	\$ 34,455,453

The accompanying notes are an integral part of this statement.

Episcopal Community Services of San Francisco and Affiliates

Consolidated Statement of Cash Flows

<i>June 30, 2018 (With comparative totals for 2017)</i>	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (1,301,567)	\$ (685,524)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Donated stock	(192,447)	(53,011)
Depreciation and amortization	1,378,421	1,438,889
Net realized gain on investments and other assets	(55,666)	(10,409)
Net realized loss on investments and other assets	50,090	
Changes in operating assets and liabilities:		
Grants and contracts receivable	(2,880,783)	1,018,774
Prepaid and other current assets	(62,349)	(82,353)
Deposit to restricted cash	219,650	545,922
Other assets	2,481	(493,553)
Accounts payable and accrued expenses	55,249	924,877
Contract advances	(1,630,975)	3,071,272
Deferred revenue	(27,732)	(29,746)
Accrued interest on notes payable	566,938	450,697
Net cash (used) provided by operating activities	(3,878,690)	6,095,835
Cash Flows from Investing Activities:		
Proceeds from sales of investments	600,405	315,573
Purchases of investments	(972,388)	(75,000)
Additions to fixed assets	(97,990)	(515,758)
Net cash used by investing activities	(469,973)	(275,185)
Cash Flows from Financing Activities:		
Borrowings on notes payable		14,729
Payments on notes payable	(178,052)	(1,179,844)
Borrowings on line of credit	2,990,000	7,030,000
Payments on line of credit	(1,280,000)	(7,950,000)
Net cash provided (used) by financing activities	1,531,948	(2,085,115)
Net Change in Cash and Cash Equivalents	(2,816,715)	3,735,535
Cash and Cash Equivalents, Beginning of Year	4,289,178	553,643
Cash and Cash Equivalents, End of Year	\$ 1,472,463	\$ 4,289,178
Supplemental Cash Flow Information:		
Interest paid	\$ 228,393	\$ 226,657
Noncash investing and financing activities:		
Assets acquired by assuming long-term liabilities	8,673,023	2,813,204
Interest added to principal balance of notes payable		2,643,452

The accompanying notes are an integral part of this statement.

Episcopal Community Services of San Francisco and Affiliates

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 8,000 adults and families during the year ended June 30, 2018 with programs in four service areas: shelters, supportive housing, education and workforce development, and services for seniors and adults with disabilities.

Shelters

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 residents 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 residents address their longer-term housing needs and other challenges that contribute to their homeless situation.

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 is the lead service provider at the **Mission Street and Central Waterfront Navigation Centers**. Designed to engage men and women, many living in encampments, who until now have resisted shelter placement, these two Navigation Centers serve up to 140 guests at a time 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.

ECS is partnering with the City of San Francisco to close the 1950 Mission Street location at the end of October 2018 and to open the new Bryant Navigation Center sometime during November 2018. In addition ECS will be managing a new program, the Bryant Homeless Storage Program. This program will be located at the Bryant Navigation Center and will provide citywide property storage for all homeless people to access.

Through its **Shelter Treatment Access and Resource Team (SF START)**, ECS provides behavioral health services not only at ECS's shelters but also at the other single adult shelters in San Francisco. Until June 2018 SF-START also operated the City's **Coordinated Entry** for housing pilot program, which provided support to chronically homeless adults making applications for permanent supportive housing.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Supportive Housing

In the year ended June 30, 2018, ECS provided support services to more than 1,300 individuals at thirteen 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.

In May 2018 ECS opened a new supportive housing site, The Minna Lee, which consists of 50 units.

ECS is 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**. ECS opened a twelfth site, **The Auburn**, with 121 units in October 2017.

Education and Workforce Development

ECS provides comprehensive education and workforce development services to thoroughly prepare low-income, unemployed people, and the working poor to enter fields that offer opportunities for earning wages above the poverty level and to provide all who wish to further their education, including those with cognitive/learning disabilities, with the right tools for their success. ECS offers three training opportunities: the CHEFS culinary training program, Hospitality for All training to prepare students for hotel employment and training to become a shelter worker in the San Francisco shelter system. All workforce development training tracks provide job training, job searches, job placement and job retention services.

Services for Seniors and Adults with Disabilities

Canon Kip Senior Center has served 1,037 unduplicated homeless or low-income seniors (aged 60 and above) and adults with disabilities during the year ended June 30, 2018. Services include a daily, nutritious lunch, recreational and social activities to reduce isolation, support groups, educational workshops relevant to the interests and case management of ECS's seniors and adults with disabilities.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies:

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

a. Principles of Consolidation

The accompanying financial statements reflect the consolidation of the individual financial statements of ECS and its affiliates (known collectively as “ECS”), 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 0.01% equity interest in CKA II. 275 10th Street, LLC, of which ECS is the sole member, serves as the managing general partner of 275 10th Street Associates and holds a 0.01% interest in the partnership.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The board of directors has designated \$259,428 for future operations.

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

Permanently Restricted Net Assets - The portion of net assets the use of which by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of ECS. ECS has no permanently restricted net assets.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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. Conditional promises to give are not included as support until the conditions are substantially met.

During the year ended June 30, 2017 ECS recorded pledges for two charitable remainder trusts. The first gift consisted of a remainder interest in the donor's personal residence valued at that time at \$320,913. This pledge was fulfilled during the year ended June 30, 2018. ECS received net proceeds of \$270,823. This resulted in a realized loss of \$50,090, which is recorded in the Statement of Activities and Changes in Net Assets.

The second gift consisted of a remainder interest in a diverse portfolio of investments under trust. During the year ended June 30, 2018 the value of the remainder interest was revalued from \$290,495 to \$314,033.

Total food donations received for various program services during the fiscal year 2018 were recognized in the Statement of Activities and Changes in Net Assets at their fair value of \$793,761.

Government grants and contracts, rental and other program income, are recognized when earned. Amounts received in advance are recorded as advances until earned.

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.

d. Cash and Cash Equivalents

For the purpose of the 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.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

e. Investments

Investments are valued at Fair value. Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in net assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

f. Fair Value Measurements

ECS follows ASC Topic 820, Fair Market Measurements and Disclosures, (ASC 820) which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial instruments that are being measured and reported on a fair value basis.

ASC 820 defines fair value 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. ASC 820 also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 - Inputs other than quoted prices include ed within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for the asset or liability.

ECS has measured its money market mutual funds at Level 1.

g. Fixed Assets

Fixed assets consisting of 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 ten years) of the related assets.

h. 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.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

i. 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.

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.

j. Allocated Expenses

Management and general expenses by function have been allocated among program and supporting services classifications utilizing an indirect rate established under the simplified allocation method.

k. Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Accordingly, such information should be read in conjunction with ECS's consolidated financial statements for the year ended June 30, 2017 from which the summarized information was derived.

l. Subsequent Events

ECS evaluated subsequent events through November 16, 2018, 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.

m. Recent Accounting Pronouncements

Pronouncement Effective in the future:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update— Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in the ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. ECS is currently evaluating the impact of this pronouncement on its financial statements.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

In February 2016, the FASB issued authoritative guidance regarding Leases. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their balance sheet for all leases with lease terms longer than twelve months. The standard will be effective for ECS, since it is not deemed a public business entity, for its fiscal year beginning after December 15, 2019, and for interim periods beginning after December 15, 2020 with early application permitted. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. ECS is currently evaluating the impact of this pronouncement on its financial statements.

In June 2018, the FASB issued 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. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. ECS is currently evaluating the impact of this pronouncement on its financial statements.

Note 3 - Investments:

ECS had investments of money market mutual funds carrying a fair value and cost of \$3,480,021 at June 30, 2018.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Note 4 - Fixed Assets:

Fixed assets at June 30, 2018 were as follows:

Land	\$ 4,534,171
Site improvements	998,784
Building and building improvements	45,798,623
Leasehold improvements	2,665,744
Furniture and equipment	1,636,519
Vehicles	59,510
Construction in process	14,657,745
<hr/>	
Less: accumulated depreciation	(17,834,680)
<hr/>	
	\$ 52,516,416

Construction in process includes \$14,595,371 to rehabilitate Canon Kip Community House. Additional construction costs approximate \$1,400,000 subsequent to June 30, 2018.

Note 5 - Line of Credit

At June 30, 2018, ECS had an unsecured \$2,000,000 line of credit from the Episcopal Bishop of California, A Corporation Sole, funded through the Bishop's master credit line agreement with Union Bank of California. Interest is payable monthly at prime rate (5% at June 30, 2018). The outstanding balance as of June 30, 2018 is \$1,710,000.

Note 6 - Affiliates and Notes Payable:

a. 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 and Affiliates

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. As of June 30, 2018 Construction in Process totaled \$14,592,874. These costs were funded with the initial capital contributions received from the partners and with draws against Notes Payable. See Note Payable information below. As of June 30, 2018, CKA II has additional construction commitments of \$1,326,265 for work to be performed after that date. This spending is to be funded through draws against the Silicon Valley Bank construction loan. This construction loan will be repaid after the end of construction with additional capital contributions 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 CKI'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.

The Project, 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 person 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.

Included in ECS's affiliate receivables are \$118,949 due to ECS from CKA II. Included in ECS's affiliate payables are \$17,765 in facilities expenses due to CKA II from ECS. ECS's affiliate receivables include \$55,000 in support services fees and \$15,000 in asset management fees in the year ended June 30, 2018. These amounts have been eliminated in consolidation.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

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 \$1,704,527 in conjunction with the notes payable, which consist of the following at June 30, 2018:

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".	\$ 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.	1,950,000
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
Silicon Valley Bank construction loan, in the maximum amount of \$11,643,964, bearing interest at a fixed rate of 2% per annum. Interest-only payments are due monthly. All principal and unpaid accrued interest shall be due and payable on September 1, 2019. The loan is subject to possible extension and shall bear a fixed interest rate equal to the greater of the percentage obtained by adding 1% to the then current 2 year Treasury rate as published by the U.S. Department of Treasury, or 1.65% per annum.	8,206,174
Total	\$ 16,929,570

b. 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. The developer fee is restricted to fund the tax benefits guaranty and the operating deficit guaranty required by CBA's limited partner.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

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. Included in ECS's affiliate receivables are \$62,768, due from CBA. Included in ECS's affiliate payables are \$9,781 due to CBA from ECS for facilities expenses. ECS's affiliate receivables include \$50,351 in asset and incentive management fees in the year ended June 30, 2018. These amounts have been eliminated in consolidation.

Notes payable are secured by the property and assignment of rents and project income unless otherwise noted. CBA has recorded accrued interest expense of \$3,078,722 in conjunction with the notes payable which consist of the following at June 30, 2018:

	Principal
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
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
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.	6,538,223
Total	\$ 8,549,879
Less: Unamortized permanent loan costs	(38,070)
Total – net of unamortized permanent loan costs	\$ 8,511,809

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

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 managing General Partner of 275 10th Street Associates, L.P. and holds a 0.01% equity position in the project. 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.

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.

Included in ECS's affiliate receivables are \$126,087 due from 275 10th Street Associates, L.P. for asset management, partnership management and facilities expenses. These amounts have been eliminated in consolidation.

There are no amounts due to 275 10th Street Associates from ECS as of June 30, 2018.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

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 \$1,586,595 in conjunction with the notes payable, which consist of the following at June 30, 2018:

	Principal
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, bears interest of 3% per annum through November 16, 2007 and matures on June 27, 2060.	\$ 1,932,585
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.	2,942,774
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.	5,250,000
Note payable to the 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 30 th anniversary annual loan payments per terms of promissory note.	7,000,000
Total	\$ 17,125,359
<u>Less: Unamortized permanent loan costs</u>	<u>(42,511)</u>
<u>Total – net of unamortized permanent loan costs</u>	<u>\$ 17,082,848</u>

Additionally, 275 10th Street LLC carries a note payable to the Silicon Valley Bank in the original amount of \$675,000. The Affordable Housing Program (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.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Notes payable consist of the below at June 30, 2018:

Canon Kip II	\$ 16,929,570
Canon Barcus	8,511,809
275 10 th Street	17,082,848
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Total	\$ 42,524,227

Interest payable consist of the below at June 30, 2018:

Canon Kip II	\$ 1,704,527
Canon Barcus	3,078,722
275 10 th Street	1,586,595
<hr/>	
Total	\$ 6,369,844

Note 7 - Commitments and Contingencies:

Operating Leases

ECS is obligated under certain of its facilities through March 31, 2026, and lease options for additional ten years (one time). ECS is also obligated under several office equipment leases extending through October 15, 2022.

Total future lease obligations or are as follows:

June 30,	Amount
2019	\$ 5,134,000
2020	5,230,000
2021	4,771,000
2022	4,824,000
2023	4,751,000
Thereafter	11,648,000
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	\$ 36,358,000

Rental expense for the year ended June 30, 2018 was \$4,732,000.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Contract and grant agreements require the fulfillment of certain conditions as set forth in the grant instruments. Failure to fulfill the conditions could result in return of the funds to the grantors. ECS deems this contingency remote. Management is of the opinion that ECS has complied with the terms of all contracts and grants. ECS has provided certain guaranties in conjunction with its relationships with CK Associates II, CB Associates, and 275 10th Street Associates. 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.

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.

Construction

As discussed in Note 6 - a above, CKA II has additional construction commitments of \$1,326,265 for work to be performed after June 30, 2018. CKA II is controlled by its General Partner, Canon Kip, Inc. ECS has guaranteed CKI'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.

Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets of \$1,339,806 are available for use in accordance with the donors' intent. Temporarily restricted net assets of \$755,469 were used in accordance with the donors' intent.

Note 9 - 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 \$292,469 for the year ended June 30, 2018.

Episcopal Community Services of San Francisco and Affiliates

Notes to Consolidated Financial Statements

Note 10 - 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 \$3,054,000 at June 30, 2018. Grants and contracts receivable represent unsecured amounts due from federal, state and local governmental agencies.

**Independent Auditors' Report on
Supplementary Information**

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

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole of **EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO (ECS)** as of and for the year ended June 30, 2018, which is presented in the preceding section of this report. The accompanying supplementary information as of and for the year ended June 30, 2018 is presented for the purposes of additional analysis and is not a required part of 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.

Hood & Strong LLP

San Francisco, California
November 16, 2018

Episcopal Community Services of San Francisco

Schedule of Financial Position

(See Independent Auditors' Report on Supplementary information)

<i>Year Ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 1,104,866	\$ 3,256,075
Grants and contracts receivable	4,114,011	1,703,677
Prepaid expenses and other assets	775,864	1,179,385
Investments	3,480,021	2,612,641
Investment in affiliates	307,804	338,792
Fixed assets, net	188,159	213,299
Total assets	\$ 9,970,725	\$ 9,303,869
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,600,309	\$ 2,028,831
Line of credit	1,710,000	
Contract advances	1,437,996	3,069,200
Deferred revenue	455,750	456,504
Total liabilities	6,204,055	5,554,535
Net Assets:		
Unrestricted:		
Unrestricted	2,167,436	2,247,943
Board designated	259,428	253,223
Total unrestricted	2,426,864	2,501,166
Temporarily restricted	1,339,806	1,248,168
Total net assets	3,766,670	3,749,334
Total liabilities and net assets	\$ 9,970,725	\$ 9,303,869

Episcopal Community Services of San Francisco

Schedule of Activities and Changes in Net Assets (See Independent Auditors' Report on Supplementary information)

Year Ended June 30, 2018 (with comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Contributions and foundation grants	\$ 1,873,900	\$ 847,107	\$ 2,721,007	\$ 3,389,758
Government grants and contracts	26,554,601		26,554,601	22,708,242
Rental income and program fees	3,228,716		3,228,716	3,417,029
Interest income	56,371		56,371	19,992
Release of donor restrictions	755,469	(755,469)		
Total support and revenue	32,469,057	91,638	32,560,695	29,535,021
Expenses:				
Program services	28,664,564		28,664,564	25,323,430
Management and general	3,067,671		3,067,671	2,880,471
Fundraising	749,573		749,573	691,916
Depreciation	61,551		61,551	31,817
Total expenses	32,543,359		32,543,359	28,927,634
Change in Net Assets	(74,302)	91,638	17,336	607,387
Net Assets, Beginning of year	2,501,166	\$ 1,248,168	3,749,334	3,141,947
Net Assets, End of year	\$ 2,426,864	\$ 1,339,806	\$ 3,766,670	\$ 3,749,334

Episcopal Community Services of San Francisco
Schedule of Functional Expenses
(See Independent Auditors' Report on Supplementary information)

Year Ended June 30, 2018 (with comparative totals for 2017)

	Sanctuary	Next Door	Navigation Center	Central Waterfront	SF Start	Total Shelters	Supportive Housing	Education & Employment Services	Senior Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2018 Total	2017 Total
Salaries	\$ 1,556,115	\$ 2,063,913	\$ 1,034,345	\$ 824,913	\$ 878,419	\$ 6,357,705	\$ 4,549,585	\$ 1,204,142	\$ 350,072	\$ 12,461,504	\$ 1,647,339	\$ 424,408	\$ 2,071,747	\$ 14,533,251	\$ 12,928,696
Employee benefits and other payroll related costs	575,884	891,209	420,322	278,629	324,118	2,490,162	1,561,493	459,230	130,107	4,640,992	475,058	101,407	576,465	5,217,457	4,880,917
Professional services	4,324	5,991	4,975	297	40,974	56,561	736,897	1,946	2,974	798,378	547,434	38,166	585,600	1,383,978	1,356,411
Professional services, pro-bono															
Training and conferences	872	823	3,474	1,486	12,676	19,331	32,519	3,140	1,754	56,744	47,050	2,980	50,030	106,774	89,915
Marketing / Printing Expenses	4,678	4,730	6,941	12,235	710	29,294	37,941	11,414	3,218	81,867	13,810	109,741	123,551	205,418	161,763
Food products	16,884	(16)	3,202	1,520	11	21,601	91,467	571,120	510	684,698				684,698	702,199
Food products, gifts-in-kind		127,725				127,725	571,771	5,182	89,084	793,762				793,762	795,721
Supplies and services	152,149	105,732	211,489	351,873	32,196	853,439	1,118,655	282,633	72,557	2,327,284	97,200	14,773	111,973	2,439,257	1,625,588
Vehicle and transportation	1,232	1,830				3,062	164	10,162		13,388				13,388	15,610
Occupancy	651,816	7,905		58,473	48,076	766,270	4,973,397	25,500		5,765,167	104,715		104,715	5,869,882	5,163,524
Telecommunications	8,399	12,950	2,916	21,910	33,504	79,679	93,860	16,716	6,272	196,527	29,205	6,709	35,914	232,441	220,408
Insurance	15,558	16,275	3,074	2,731	4,753	42,391	55,873	13,551	1,819	113,634	5,999	1,502	7,501	121,135	103,062
Equipment and maintenance	3,874	25,974		500	1,596	31,944	597,824	57,991	13,393	701,152	13,312	5,325	18,637	719,789	724,074
Bad debt expense							11,885	2,853		14,738				14,738	
Other	5,115	24	167	301	310	5,917	6,689	2,122		14,728	29,681	44,562	74,243	88,971	87,138
Interest - operations											56,868		56,868	56,868	40,791
Inter-program services	479,211	809,368				1,288,579		(1,288,579)							
Total expenses before depreciation	3,476,111	4,074,433	1,690,905	1,554,868	1,377,343	12,173,660	14,440,020	1,379,123	671,760	28,664,563	3,067,671	749,573	3,817,244	32,481,807	28,895,817
Depreciation							49,643	847	1,740	52,230	9,321		9,321	61,551	31,817
Total expenses	3,476,111	4,074,433	1,690,905	1,554,868	1,377,343	12,173,660	14,489,663	1,379,970	673,500	28,716,793	3,076,992	749,573	3,826,565	32,543,358	28,927,634
Recovery of administrative costs	347,598	407,310	169,082	155,349	137,130	1,216,469	1,431,429	265,816	66,751	2,980,465	(2,980,465)		(2,980,465)		
	\$ 3,823,709	\$ 4,481,743	\$ 1,859,987	\$ 1,710,217	\$ 1,514,473	\$ 13,390,129	\$ 15,921,092	\$ 1,645,786	\$ 740,251	\$ 31,697,258	\$ 96,527	\$ 749,573	\$ 846,100	\$ 32,543,358	\$ 28,927,634

Episcopal Community Services of San Francisco

Schedule of Cash Flows

(See Independent Auditors' Report on Supplementary information)

<i>Year Ended June 30, 2018 (with comparative totals for 2017)</i>	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ 17,337	\$ 607,387
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Donated Stock	(192,447)	(53,011)
Depreciation	61,551	31,817
Loss on disposal of fixed assets		
Net realized gain on investments and other assets	(55,666)	(10,409)
Net realized loss on other assets	50,090	
Changes in operating assets and liabilities:		
Grants and contracts receivable	(2,241,839)	1,018,774
Investment in affiliates	30,988	(145,229)
Prepaid expenses and other assets	(62,349)	(514,702)
Accounts payable and accrued expenses	578,840	132,625
Contract advances	(1,639,320)	3,069,200
Deferred revenue		(55,539)
Net cash (used) provided by operating activities	(3,452,815)	4,080,913
Cash Flows from Investing Activities:		
Proceeds from sales of investments and other assets	600,405	315,573
Purchases of investments	(972,388)	(75,000)
Additions to fixed assets	(36,411)	(199,456)
Net cash (used) provided by investing activities	(408,394)	41,117
Cash Flows from Financing Activities:		
Borrowings on line of credit	2,990,000	7,030,000
Payments on line of credit	(1,280,000)	(7,950,000)
Net cash provided (used) by financing activities	1,710,000	(920,000)
Net Increase(Decrease) in Cash and Cash Equivalents	(2,151,209)	3,202,030
Cash and Cash Equivalents, Beginning of Year	3,256,075	54,045
Cash and Cash Equivalents, End of Year	\$ 1,104,866	\$ 3,256,075
Supplemental Cash Flow Information		
Interest paid	\$ 56,869	\$ 40,791