

EPISCOPAL COMMUNITY
SERVICES OF SAN FRANCISCO

JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Episcopal Community Services of San Francisco

Independent Auditors' Report, Consolidated Financial Statements and Supplementary Information

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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, 2021, 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 (U.S. GAAP); 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 ECS as of June 30, 2021, 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, 2021, ECS has shown these statements on a consolidated basis and shows the consolidating information as supplementary information.

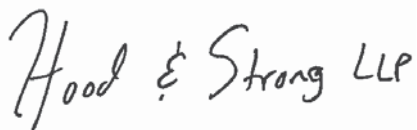
Other Matters

Report on Summarized Comparative Information

We have previously audited ECS's June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited 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 30 and 31) 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.



San Francisco, California
December 15, 2021

Episcopal Community Services of San Francisco

Consolidated Statement of Financial Position

<i>June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Assets:		
Cash and cash equivalents	\$ 16,020,420	\$ 9,189,940
Grants and contracts receivable	10,241,987	4,657,097
Affiliate and rent receivables	1,973,301	1,720,752
Investments	6,132,028	4,457,106
Prepaid expenses and other assets	1,225,046	1,250,274
Fixed assets, net	150,075,580	50,367,672
Total assets	\$ 185,668,362	\$ 71,642,841
Liabilities:		
Accounts payable and accrued expenses	\$ 5,896,268	\$ 4,300,879
Line of credit	5,000,000	2,500,000
Deferred revenue and contract advances	4,971,696	384,517
Notes payable, net	75,173,072	41,505,584
Accrued interest on notes payable	6,863,348	6,064,525
Tenant security deposits	98,587	81,149
Total liabilities	98,002,971	54,836,654
Net Assets:		
Without donor restrictions:		
Undesignated	3,263,118	2,170,351
Board designated	259,428	259,428
Affiliated entities (Note 2)	69,845,914	-
Non-controlling interests (Note 2)	9,208,347	11,188,039
Total net assets without donor restrictions	82,576,807	13,617,818
With donor restrictions	5,088,584	3,188,369
Total net assets	87,665,391	16,806,187
Total liabilities and net assets	\$ 185,668,362	\$ 71,642,841

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, 2021 (with comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions and foundation grants	\$ 2,234,615	\$ 2,729,912	\$ 4,964,527	\$ 4,124,018
Contributions, gifts-in-kind	617,648		617,648	770,092
Government grants and contracts	54,782,096		54,782,096	36,285,064
Rental income	12,370,791		12,370,791	7,885,326
Other program income	802,184		802,184	1,190,652
Interest income	977		977	34,908
Other income	310,752		310,752	331,698
Release of donor restrictions	829,697	(829,697)	-	-
Total support and revenue	71,948,760	1,900,215	73,848,975	50,621,758
Expenses:				
Program services	65,295,601		65,295,601	45,479,848
Supporting services	6,181,703		6,181,703	4,871,028
Total expenses	71,477,304	-	71,477,304	50,350,876
Change in Net Assets Before Other Changes	471,456	1,900,215	2,371,671	270,882
Other Changes:				
Equity contributions (Note 6)	68,487,533		68,487,533	9,580,077
Total Change in Net Assets	68,958,989	1,900,215	70,859,204	9,850,959
Net Assets, beginning of year	13,617,818	3,188,369	16,806,187	6,955,228
Net Assets, end of year	\$ 82,576,807	\$ 5,088,584	\$ 87,665,391	\$ 16,806,187

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021 (with comparative totals for 2020)

	ECS					Affiliates	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021 Total	2020 Total
	Shelters	Supportive Housing	Education Employment Services	Senior Services	Program Services							
Salaries	\$ 19,133,292	\$ 7,049,387	\$ 1,717,503	\$ 372,179	\$ 28,272,361	\$ 959,376	\$ 29,231,737	\$ 3,196,229	\$ 446,660	\$ 3,642,889	\$ 32,874,626	\$ 22,455,613
Employee benefits and other payroll related costs	5,499,870	1,817,420	475,687	123,240	7,916,217	371,439	8,287,656	133,892	98,722	232,614	8,520,270	5,946,448
Professional services	29,356	1,061,448	81,251	154	1,172,209	1,068,713	2,240,922	1,375,891	163,790	1,539,681	3,780,603	2,610,090
Training and conferences	33,919	10,575	2,452	2,511	49,457		49,457	22,633	2,147	24,780	74,237	135,125
Marketing and printing	24,224	38,242	4,869	1,760	69,095		69,095	71,519	85,596	157,115	226,210	126,334
Food products	2,636	73,844	463,770	59	540,309		540,309	8		8	540,317	655,606
Food products, gifts-in-kind	73,625	542,890	1,133		617,648		617,648			-	617,648	770,092
Client subsidies and services	1,933,895	104,430	4,286,385	13,948	6,338,658		6,338,658	8,882	6,105	14,987	6,353,645	2,315,139
Supplies and services	204,757	946,171	11,260	5,141	1,167,329	1,004,842	2,172,171	59,840	9,466	69,306	2,241,477	2,351,626
Vehicle and transportation	8,614	823	16,822		26,259		26,259			-	26,259	11,375
Occupancy	1,250,916	6,141,217	65,041		7,457,174	2,062,193	9,519,367	87,426		87,426	9,606,793	7,576,988
Telecommunications	109,998	152,189	23,383	10,472	296,042	27,153	323,195	104,931	10,392	115,323	438,518	424,085
Insurance	156,686	81,645	19,867	3,840	262,038	210,575	472,613	14,543	5,561	20,104	492,717	402,396
Equipment and maintenance	57,204	370,143	22,509	1,191	451,047	1,231,740	1,682,787	14,275	4,258	18,533	1,701,320	1,285,559
Other	4,862	12,561	57,678	38,743	113,844	54,501	168,345	45,671	35,726	81,397	249,742	365,893
Total expenses before depreciation and interest	28,523,854	18,402,985	7,249,610	573,238	54,749,687	6,990,532	61,740,219	5,135,740	868,423	6,004,163	67,744,382	47,432,369
Interest expense						1,023,695	1,023,695	124,626		124,626	1,148,321	902,466
Depreciation and amortization		15,581			15,581	2,516,106	2,531,687	52,914		52,914	2,584,601	2,016,041
Total Expenses	\$ 28,523,854	\$ 18,418,566	\$ 7,249,610	\$ 573,238	54,765,268	10,530,333	\$ 65,295,601	\$ 5,313,280	\$ 868,423	\$ 6,181,703	\$ 71,477,304	\$ 50,350,876

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Cash Flows

<i>Year Ended June 30, 2021 (with comparative totals for 2020)</i>	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 70,859,204	\$ 9,850,959
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,584,601	2,016,041
Loss on disposal of fixed assets		75,281
Net realized (gain)/loss on investments	686	(631)
Capital contribution	(68,487,533)	(9,580,077)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(4,471,951)	(2,528,200)
Affiliate receivables	(1,365,488)	(607,813)
Prepaid expenses and other assets	25,228	(298,347)
Accounts payable and accrued expenses	1,595,389	815,300
Deferred revenue and contract advances	4,587,179	17,716
Developer fee		(455,749)
Accrued interest on notes payable	798,823	107,913
Tenant security deposits	17,438	1,074
Net cash provided (used) by operating activities	6,143,576	(586,533)
Cash Flows from Investing Activities:		
Proceeds from sales of investments	4,555,847	4,038,961
Purchases of investments	(6,231,455)	(4,768,268)
Additions to fixed assets	(102,279,791)	(300,550)
Net cash used by investing activities	(103,955,399)	(1,029,857)
Cash Flows from Financing Activities:		
Capital contribution	68,487,533	9,580,077
Proceeds on notes payable	33,684,083	3,000,000
Paycheck protection program loan proceeds		3,374,200
Payments on notes payable	(29,313)	(11,186,021)
Payments on line of credit	(2,500,000)	2,500,000
Borrowings on line of credit	5,000,000	(2,500,000)
Net cash provided by financing activities	104,642,303	4,768,256
Net Increase in Cash and Cash Equivalents	6,830,480	3,151,866
Cash and Cash Equivalents, Beginning of year	9,189,940	6,038,074
Cash and Cash Equivalents, End of year	\$ 16,020,420	\$ 9,189,940
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 6,242,529	\$ 5,615,492
Restricted cash	9,777,891	3,574,448
	\$ 16,020,420	\$ 9,189,940
Supplemental Cash Flow Information:		
Interest paid	\$ 181,249	\$ 781,488
Noncash Investing and Financing Activities:		
Assets acquired by assuming long-term liabilities	\$ 34,272,667	
Interest added to principal balance of notes payable	\$ 783,279	\$ 592,984

See accompanying notes to consolidated financial statements.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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 between July 1, 2020 – June 30, 2021 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. During this fiscal year, ECS made significant programmatic adjustments due to the COVID-19 pandemic (see Note 13).

Interim Housing

The Sanctuary shelter accommodates up to 200 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. In June 2020, The Sanctuary capacity was reduced from 200 beds to 73 beds to accommodate social distancing in response to COVID-19 safety protocols. ECS operates **the Bryant Homeless Property Program**, which 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 will ramp-down between July 2021 and spring 2022.

Supportive Housing

ECS provides **permanent supportive housing** and services to more than 1,500 individuals at 16 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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

ECS is the sponsor and owner of five of the facilities, serving 103 units at **Canon Kip Community House**, 47 units for formerly homeless families at **Canon Barcus Community House**, 134 units at **Bishop Swing Community House**, 214 units at **The Granada**, and 128 units at **The Diva**. The Granada was acquired in November 2020, and The Diva was acquired in December 2020. Prior to August 2021 The Diva was a Shelter in Place (SIP) hotel.

ECS also provides services for single adults at its master-leased sites—**The Elm** (80 units), **The Mentone** (68 units), **The Hillsdale** (75 units), **The Alder** (116 units), **The Crosby** (124 units) **The Henry** (121 units), and the newly opened 89 units at **The Post**.

ECS provides services for single adults at Mercy Housing California’s buildings: **The Rose** (75 units); units for 50 formerly homeless families at **1180 4th Street Apartments**, and units for 33 formerly homeless families at **455 Fell St**. In collaboration with DISH Property Management, ECS provides services to 121 units at **The Auburn**, and 50 units at **the Minna Lee**.

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 4,788 people in the year ended June 30, 2021, placing 580 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 For the Year Ended June 30, 2021

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. 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.

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 2021 as it scaled up to prepare and deliver over 418,122 meals to guests and residents in affordable housing, interim housing, and shelter-in-place hotels.

Healthy Aging

Canon Kip Senior Center has served 740 unduplicated homeless or low-income seniors (aged 60 and above) and adults with disabilities during the year ended June 30, 2021. 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. 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.

Note 2 - **Summary of Significant Accounting Policies:**

a. Basis of Accounting

The accompanying consolidated financial statements are presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

b. Principles of Consolidation

The accompanying financial statements reflect the consolidation of the individual financial statements of ECS and its affiliates, Canon Barcus Associates L.P. (CBA), Canon Kip Associates II L.P. (CKA II), and 275 10th Street Associates L.P. (limited partnerships), and ECS Housing Corporation (a nonprofit supporting organization to ECS), owner of 1000 Sutter LLC and 440 Geary LLC; 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. 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. ECS Housing Corporation (EHC) was created to be the Managing entity for 275 10th Street LLC. During the year ended June 30, 2021, EHC became the sole owner of 1000 Sutter LLC and 440 Geary LLC, created on November 13, 2020 and December 2, 2020, respectively, following the acquisition of the related properties (see Note 6).

Non-controlling interest as of June 30, 2021 by affiliate are as follows:

Canon Kip Associates II L.P.	\$ 5,771,598
Canon Barcus Associates L.P.	408,495
275 10th Street Associates L.P.	3,028,254
	<hr/>
	\$ 9,208,347

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.

c. 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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

d. 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.

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 has been awarded cost-reimbursable grants of approximately \$20,162,000 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. This amount consists of \$6,190,000 of unspent costs in two Covid Sites, \$3,016,000 unspent in eight Shelter-in-place Hotels, \$2,854,000 unspent in Rapid Rehousing (Prop C), \$1,658,000 unspent in Coordinated Entry and \$6,444,000 from other contracts.

e. 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, 2021, total restricted cash was \$9,777,891.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

f. 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 \$6,132,028 and are classified as Level 1.

g. 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 - Unadjusted quoted market prices 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.

h. Fixed Assets

Fixed assets consisting of buildings and improvements, land, vehicles, tax credit costs, furniture, equipment leasehold improvements, and construction in process 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, which range from three to forty years of the related assets.

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.

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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

ECS Housing Corporation is a supporting organization of and wholly owned by ECS and is tax-exempt under the provisions of the Internal Revenue Code, Section 501(c)(3) subsection 509(a), and the California Revenue and Taxation Code.

1000 Sutter LLC is a single member limited liability company that is controlled by ECS Housing Corporation, a tax-exempt organization.

440 Geary LLC is a single member limited liability company that is controlled by ECS Housing Corporation, a tax-exempt organization.

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. 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.

k. 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.

l. 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, 2020 from which the summarized information was derived.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Certain reclassifications have been made to the 2020 consolidated financial statements to conform to the 2021 presentation. The reclassifications had no impact on net assets or the change in net assets.

m. Recent Accounting Pronouncements

Pronouncement Adopted

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This update is part of the FASB's larger disclosure framework project intended to improve the effectiveness of financial statement footnote disclosure. ASU 2018-13 modifies required fair value disclosures related primarily to level 3 investments. This ASU was adopted as of July 1, 2020. 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.

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 replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU was adopted as of July 1, 2020. Application of the various provisions of this standard resulted in no significant changes in the way ECS recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Pronouncements Effective in the Future

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 consolidated financial statements.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

In September 2020, the FASB issued ASU 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. Early adoption is permitted. ECS is currently evaluating the impact of this pronouncement on its consolidated financial statements.

n. Subsequent Events

The management of ECS has reviewed the changes in its net assets for the period of time from its fiscal year ended June 30, 2021 through December 15, 2021 the date the consolidated financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements nor have any subsequent events have occurred which would require disclosure, except as disclosed in Notes 4, 5, 6, and 13.

Note 3 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30, 2021:

Government contracts	\$ 7,444,511
Contributions receivable	2,447,284
Other	350,192
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	\$ 10,241,987

Grants and contracts receivable as of June 30, 2021 are expected to be received as follows: \$9,098,687 within one year and \$1,143,300 within two to five years.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 4 - Fixed Assets:

Fixed assets at June 30, 2021 were as follows:

Land	\$ 64,604,947
Site improvements	1,005,859
Building and building improvements	99,845,458
Leasehold improvements	2,844,433
Furniture and equipment	2,938,622
Vehicles	38,933
Construction in Process	2,905,211
<hr/>	
Subtotal	174,183,463
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Less: accumulated depreciation	(24,107,883)
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	\$ 150,075,580

Depreciation and amortization expense for the year ended June 30, 2021 was \$2,584,601.

1000 Sutter LLC entered into a construction and architectural design agreement with three separate providers of which a remaining commitment of approximately \$37,694,000 as of June 30, 2021. Subsequent to year end, ECS paid approximately \$615,000 of the remaining commitment.

440 Geary LLC entered into a construction and architectural design agreement with three separate providers of which a remaining commitment of approximately \$4,790,000 as of June 30, 2021. Subsequent to year end, ECS paid approximately \$472,000 of the remaining commitment.

Note 5 - Line of Credit:

At June 30, 2021, 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 the prime rate of 3.25% at June 30, 2021; the outstanding balance as of June 30, 2021 is \$5,000,000 with a maturity date of January 20, 2022. A \$5,000,000 payment was made on December 14, 2021 to repay the outstanding balance in full.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 6 - Notes Payable:

Notes payable at June 30, 2021 consist of the following by entity:

ECS	\$ 3,374,200
Canon Kip II Associates L.P.	12,959,136
Canon Barcus Associates L.P.	8,194,525
275 10 th Street Associates L.P.	16,951,348
1000 Sutter LLC	6,877,488
440 Geary LLC	26,816,375
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Total	\$ 75,173,072

Interest payable consists of the following at June 30, 2021:

ECS	\$ 40,288
Canon Kip II Associates L.P.	1,159,040
Canon Barcus Associates L.P.	3,503,990
275 10 th Street Associates L.P.	2,080,122
1000 Sutter LLC	1,081
440 Geary LLC	78,827
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Total	\$ 6,863,348

Interest expense consists of the following at June 30, 2021:

ECS	\$ 124,626
Canon Kip II Associates L.P.	321,828
Canon Barcus Associates L.P.	244,737
275 10 th Street Associates L.P.	210,912
1000 Sutter LLC	113,621
440 Geary LLC	132,597
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Total	\$ 1,148,321

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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%. As of June 30, 2021, loan balance and accrued interest were \$3,374,200 and \$40,288, respectively, which will be recognized as a gain on extinguishment of debt during the year ended June 30, 2022.

On August 17, 2021, ECS was granted loan forgiveness on its outstanding note payable and accrued interest under the Paycheck Protection Program (PPP).

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.

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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

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 low-income individuals 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.

In September 2020, ECS received \$200,000 in developer fees due from the CKA II permanent loan closing that occurred during the year ended June 30, 2020.

Notes payable for Canon Kip II are secured by the property and are due upon maturity unless otherwise indicated. For the year ended June 30, 2021 CKA II accrued interest expense of \$321,828 for a total outstanding accrued interest balance at year end of \$1,159,040. These notes payable consist of the following at June 30, 2021:

Note payable to the City and County of San Francisco (CDBG/HOME) in the maximum amount of \$5,743,396 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 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

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note payable to California Department of Housing and Community Development's Multifamily Housing Program (MHP) in the original amount of \$3,000,000 bears simple interest of 3% per annum. Annual interest 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	(54,841)
Total - net of unamortized loan costs	<u>\$ 12,959,136</u>

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

The ECS Board of Directors appoints the members of the Board of Directors of 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 the continued management and operations of CBA.

ECS leases admin and program facilities from CBA for \$1 per year and funded leasehold improvements to the facility.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Notes payable are secured by the property and assignment of rents and project income unless otherwise noted. CBA accrued interest expense of \$244,737 for the year ended June 30, 2021 for a total accrued interest balance at year end of \$3,503,990. These notes payable consist of the following at June 30, 2021:

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 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 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 (ranging between 0% and 4.45%) 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	(35,074)
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Total - net of unamortized permanent loan costs	\$ 8,194,525

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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

ECS is the 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.

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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Notes payable are secured by the property and are not due until maturity unless otherwise noted. 275 10th Street Associates recorded accrued interest expense of \$210,912 for June 30, 2021 for a total outstanding accrued interest balance of \$2,080,122. These notes payable consist of the following at June 30, 2021:

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.	2,879,191
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	16,991,122
Less: Unamortized permanent loan costs	(39,774)
Total - net of unamortized permanent loan costs	\$ 16,951,348

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

e. 1000 Sutter LLC

ECS entered into a Purchase and Sale Agreement on September 29, 2020 and a Standard Agreement for \$46,000,000 with the State of California Housing and Community Development Department on November 7, 2020. ECS assigned both documents to 1000 Sutter LLC on November 13, 2020 for which ECS Housing Corporation is the sole member. On that date the Granada Hotel was purchased by 1000 Sutter LLC. To complete the transaction 1000 Sutter LLC entered into two loans, one for \$6,606,166 with the City of San Francisco and another for \$37,185,184 with the San Francisco Housing Accelerator Fund. ECS entered a Repayment Guaranty, Completion Guaranty, and Environmental Indemnity Agreement with the San Francisco Housing Accelerator Fund for the transaction.

1000 Sutter LLC recorded accrued interest expense of \$113,621 for the year ended June 20, 2021 for a total outstanding accrued interest balance of \$1,081 at year end. These notes payable consist of the following at June 30, 2021:

Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for an acquisition loan with an original limit of \$10,000,000, bearing an interest rate of 3.5% and maturing on November 13, 2075.	\$ 6,606,166
Note payable to the San Francisco Housing Accelerator Fund for an ongoing construction loan with an original limit of \$37,185,184 and bearing an interest rate of 3.5%. The loan will continue to be drawn upon until the end of the construction period (February 13, 2023).	561,354
Total	7,167,520
Less: Unamortized permanent loan costs	(290,032)
Total - net of unamortized permanent loan costs	<u>\$ 6,877,488</u>

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

f. 440 Geary LLC

ECS entered into a Purchase and Sale Agreement on November 25, 2020 and a Standard Agreement for \$50,000,000 with the State of California Housing and Community Development Department on November 23, 2020. ECS assigned both documents to 440 Geary LLC on December 2, 2020 for which ECS Housing Corporation is the sole member. On that date the Hotel Diva was purchased by 440 Geary LLC. To complete the transaction 440 Geary LLC entered into one loan for \$32,000,000 with the San Francisco Housing Accelerator Fund. ECS entered a Repayment Guaranty, Completion Guaranty, and Environmental Indemnity Agreement with the San Francisco Housing Accelerator Fund for the transaction.

1000 Sutter LLC recorded accrued interest expense of \$132,597 for the year ended June 30, 2021 for a total outstanding accrued interest balance of \$78,827 at year end. These notes payable consist of the following at June 30, 2021:

Note payable to the San Francisco Housing Accelerator Fund for an ongoing construction loan with an original limit of \$32,000,000 and bearing an interest rate of 3.5%. The loan will continue to be drawn upon until the end of the construction period (February 13 2023).	\$ 27,026,320
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Total	27,026,320
Less: Unamortized permanent loan costs	(209,945)
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Total – net of unamortized permanent loan costs	\$ 26,816,375
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Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions of \$5,088,584 are available for use in accordance with the donors' intent. Net assets of \$829,697 were used in accordance with the donors' intent during the year ended June 30, 2021.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Note 8 - Availability of Financial Assets and Liquidity:

ECS's financial assets available within one year of June 30, 2021 for general expenditures are as follows:

Financial assets at year end:

Cash and cash equivalents	\$ 16,020,420
Grants and contracts receivable	10,241,987
Affiliate and rent receivables	1,973,301
Investments	6,132,028

Total financial assets	34,367,736
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Less amounts not available to be used within one year:

Restricted cash	(9,777,891)
Cash restricted for use by the affiliates	(3,397,900)
Net assets with donor restrictions	(5,088,584)
Board-designated net assets	(259,428)
Add net assets with purpose restrictions to be met in less than one year	1,200,000

(17,323,803)

Financial assets available to meet general expenditures over the next twelve months	\$ 17,043,933
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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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

Total assets of the Partnership were approximately \$84,896,000 and total liabilities were approximately \$78,884,000 according to the Partnership's unaudited financial statements as of June 30, 2021. The liabilities balance includes an amount payable to ECS of \$1,555,737.

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, 2021 which are payable to the City and County of San Francisco, Chase Bank and Mercy Housing California were approximately \$44,761,000, \$9,192,000 and \$1,500,000, respectively.

Note 10 - Commitments and Contingencies:

Operating Leases

ECS is obligated under certain leases of its facilities through September 13, 2030, and holds lease options for up to an additional ten years for certain leases. ECS is also obligated under several office equipment leases extending through September 4, 2026.

Total future lease obligations are as follows:

Year ending June 30,	
2022	\$ 5,798,000
2023	3,238,000
2024	3,139,000
2025	2,444,000
2026	1,450,000
Thereafter	6,322,000
	<hr/>
	\$ 22,391,000

Rental expense for the year ended June 30, 2021 was \$6,249,506.

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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

ECS has provided certain guarantees in conjunction with its relationships with CKA, CBA, 275 10th Street Associates, 1000 Sutter LLC, 440 Geary LLC, and 1064 Mission L.P. These guarantees include construction completion, loan repayments, operating deficit, and tax credit. These financial commitments are not estimable given the nature of the contractual agreements. 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.

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 \$ 863,725 for the year ended June 30, 2021.

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 \$16,053,000 at June 30, 2021. Grants and contracts receivable represent unsecured amounts due from federal, state and local governmental agencies.

Note 13 - Global Pandemic:

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.

Episcopal Community Services of San Francisco

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021

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.

For the year ended June 30, 2021, congregate sites remained closed, but ECS was provided with additional funds to continue the shelter-in-place locations over the course of the year. Behavioral health services were provided via tele-health and other physical distancing service delivery methods, with limited in-person services as well.

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. During this time, ECS expanded its meal take-out and delivery activities by obtaining additional program funds.

ECS partnered with the City of San Francisco to purchase two hotels for purposes of operating low-income permanent housing facilities, with contributions from the city and the State of California, as well as loans to fund the purchase and rehabilitation of the sites. (see Note 6)

During 2021, ECS was awarded additional government funding as a result of anticipated higher expenses during the pandemic. This funding was used in 2021 and will continue to be used, as needed, during the fiscal year ending June 30, 2022.

During 2021, ECS was named as the beneficiary of a bequest to be used for operational support. In July 2021, a receivable of \$8,700,000 was recorded for this bequest based on investments with readily determinable fair value. The total bequest is estimated at approximately \$12,000,000, including additional holdings yet to be valued. A payment of \$7,000,000 was received in October 2021.

Episcopal Community Services of San Francisco and Affiliates

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

June 30, 2021

	ECS	Canon Kip II	Canon Barcus	275 10th Street	1000 Sutter	440 Geary	Eliminations	2021 Consolidated
Assets:								
Cash and cash equivalents	\$ 2,844,629	\$ 2,807,454	\$ 1,399,833	\$ 1,420,374	\$ 2,255,567	\$ 5,292,563		\$ 16,020,420
Grants and contracts receivable	9,707,795	40,782			53,754	439,656		10,241,987
Affiliate and rent receivables	1,675,139	410,926	128,704	131,050	96,175		\$ (468,693)	1,973,301
Investments	6,132,028							6,132,028
Prepaid expenses and other assets	1,106,949	76,569	142	4,534	10,063	26,789		1,225,046
Fixed assets, net	232,307	16,712,471	10,802,843	20,722,412	49,149,998	52,455,549		150,075,580
Total assets	\$ 21,698,847	\$ 20,048,202	\$ 12,331,522	\$ 22,278,370	\$ 51,565,557	\$ 58,214,557	\$ (468,693)	\$ 185,668,362
Liabilities:								
Accounts payable and accrued expenses	\$ 4,266,105	\$ 122,712	\$ 89,894	\$ 174,837	\$ 681,908	\$ 560,812		\$ 5,896,268
Affiliate payables	349,290	923	40,025	15,329	35,133	27,993	\$ (468,693)	-
Line of credit	5,000,000							5,000,000
Deferred revenue and contract advances	57,834	834	75,169		1,837,859	3,000,000		4,971,696
Notes payable, net	3,374,200	12,959,136	8,194,525	16,951,348	6,877,488	26,816,375		75,173,072
Accrued interest on notes payable	40,288	1,159,040	3,503,990	2,080,122	1,081	78,827		6,863,348
Tenant security deposits		33,959	19,424	28,480	1,974	14,750		98,587
Total liabilities	13,087,717	14,276,604	11,923,027	19,250,116	9,435,443	30,498,757	(468,693)	98,002,971
Net Assets:								
Without donor restrictions:								
Undesignated	3,263,118							3,263,118
Board designated	259,428							259,428
Affiliated entities (Note 2)		5,771,598	408,495	3,028,254	42,130,114	27,715,800	(9,208,347)	69,845,914
Non-controlling interests (Note 2)							9,208,347	9,208,347
Total net assets without donor restrictions	3,522,546	5,771,598	408,495	3,028,254	42,130,114	27,715,800	-	82,576,807
With donor restrictions	5,088,584							5,088,584
Total net assets	8,611,130	5,771,598	408,495	3,028,254	42,130,114	27,715,800	-	87,665,391
Total liabilities and net assets	\$ 21,698,847	\$ 20,048,202	\$ 12,331,522	\$ 22,278,370	\$ 51,565,557	\$ 58,214,557	\$ (468,693)	\$ 185,668,362

Episcopal Community Services of San Francisco and Affiliates

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

Year Ended June 30, 2021

	2021									
	ECS			Canon Kip II	Canon Barcus	275 10th Street	1000 Sutter	440 Geary	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total							
Support and Revenue:										
Contributions and foundation grants	\$ 2,234,615	\$ 2,729,912	\$ 4,964,527							\$ 4,964,527
Contributions, gifts-in-kind	617,648		617,648							617,648
Government grants and contracts	54,782,096		54,782,096							54,782,096
Rental income	2,365,132		2,365,132	\$ 2,192,289	\$ 1,595,592	\$ 1,756,599	\$ 1,821,439	\$ 2,767,627	\$ (127,887)	12,370,791
Other program income	802,184		802,184							802,184
Interest income	767		767		63	147				977
Other income	67,626		67,626	26,650	49,843	8,832	4,177	153,624		310,752
Release of donor restrictions	829,697	(829,697)	-							-
Total recurring support and revenue	61,699,765	1,900,215	63,599,980	2,218,939	1,645,498	1,765,578	1,825,616	2,921,251	(127,887)	73,848,975
Expenses:										
Program services	54,765,268		54,765,268	2,720,492	2,051,518	2,651,237	2,029,522	1,205,451	(127,887)	65,295,601
Supporting services	6,181,703		6,181,703							6,181,703
Total operating expense	60,946,971		60,946,971	2,720,492	2,051,518	2,651,237	2,029,522	1,205,451	(127,887)	71,477,304
Change in Net Assets Before Other Changes	752,794	1,900,215	2,653,009	(501,553)	(406,020)	(885,659)	(203,906)	1,715,800	-	2,371,671
Other Changes:										
Equity contributions (Note 6)				153,513			42,334,020	26,000,000		68,487,533
Total Change in Net Assets	752,794	1,900,215	2,653,009	(348,040)	(406,020)	(885,659)	42,130,114	27,715,800	-	70,859,204
Net Assets, Beginning of year	2,769,752	3,188,369	5,958,121	6,119,638	814,515	3,913,913			-	16,806,187
Net Assets, End of year	\$ 3,522,546	\$ 5,088,584	\$ 8,611,130	\$ 5,771,598	\$ 408,495	\$ 3,028,254	\$ 42,130,114	\$ 27,715,800	-	\$ 87,665,391