

**EPISCOPAL COMMUNITY SERVICES OF  
SAN FRANCISCO**

**JUNE 30, 2022**

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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 Auditor's Report

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

### Opinion

We have audited the consolidated financial statements of **EPISCOPAL COMMUNITY SERVICES OF SAN FRANCISCO (ECS)**, which comprise the consolidated statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ECS as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ECS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ECS's ability to continue as a going concern for one year from the date of this report.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ECS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ECS's ability to continue as a going concern for a reasonable period of time.

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

## **Report on Summarized Comparative Information**

We have previously audited ECS's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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 34 and 35) 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.

*Hood & Strong LLP*

San Francisco, California  
December 5, 2022

# Episcopal Community Services of San Francisco

## Consolidated Statement of Financial Position

<i>June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Assets:</b>		
Cash and cash equivalents and restricted cash	\$ 15,870,670	\$ 16,020,420
Grants and contracts receivable	9,717,855	10,241,987
Affiliate and rent receivables	2,138,682	1,973,301
Investments	14,975,385	6,132,028
Prepaid expenses and other assets	2,702,031	1,225,046
Fixed assets, net	157,221,031	150,075,580
Total assets	\$ 202,625,654	\$ 185,668,362
 <b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 8,451,526	\$ 5,896,268
Line of credit	5,000,000	5,000,000
Deferred revenue and contract advances	3,786,265	4,971,696
Notes payable, net	79,807,672	75,173,072
Accrued interest on notes payable	7,452,829	6,863,348
Tenant security deposits	841,297	98,587
Total liabilities	105,339,589	98,002,971
 <b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	7,389,198	3,263,118
Board designated	259,428	259,428
Affiliated entities (Note 2)	67,535,830	69,845,914
Non-controlling interests (Note 2)	7,112,851	9,208,347
Total net assets without donor restrictions	82,297,307	82,576,807
With donor restrictions	14,988,758	5,088,584
Total net assets	97,286,065	87,665,391
Total liabilities and net assets	\$ 202,625,654	\$ 185,668,362

See accompanying notes to the consolidated financial statements.

**Episcopal Community Services of San Francisco**  
**Consolidated Statement of Activities and Changes in Net Assets**

*Year Ended June 30, 2022 (with comparative totals for 2021)*

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and Revenue:</b>				
Contributions and foundation grants	\$ 1,405,270	\$ 1,365,191	\$ 2,770,461	\$ 4,964,527
Bequest and trust revenue		10,000,000	10,000,000	
Contributions, gifts-in-kind	492,946		492,946	617,648
Government grants and contracts	53,614,343		53,614,343	54,782,096
Rental income	12,898,828		12,898,828	12,370,791
Other program income	1,470,766		1,470,766	802,184
Interest income	8,148		8,148	977
Other income	347,556		347,556	310,752
Release of donor restrictions	1,465,017	(1,465,017)	-	-
<b>Total support and revenue</b>	<b>71,702,874</b>	<b>9,900,174</b>	<b>81,603,048</b>	<b>73,848,975</b>
<b>Expenses:</b>				
Program services	67,871,197		67,871,197	65,295,601
Supporting services	7,528,523		7,528,523	6,181,703
<b>Total expenses</b>	<b>75,399,720</b>	<b>-</b>	<b>75,399,720</b>	<b>71,477,304</b>
<b>Change in Net Assets Before Other Changes</b>	<b>(3,696,846)</b>	<b>9,900,174</b>	<b>6,203,328</b>	<b>2,371,671</b>
<b>Other Changes:</b>				
Forgiveness of Paycheck Protection Program Loan (Note 6)	3,417,346		3,417,346	-
Equity contributions (Note 6)			-	68,487,533
<b>Total Change in Net Assets</b>	<b>(279,500)</b>	<b>9,900,174</b>	<b>9,620,674</b>	<b>70,859,204</b>
<b>Net Assets, beginning of year</b>	<b>82,576,807</b>	<b>5,088,584</b>	<b>87,665,391</b>	<b>16,806,187</b>
<b>Net Assets, end of year</b>	<b>\$ 82,297,307</b>	<b>\$ 14,988,758</b>	<b>\$ 97,286,065</b>	<b>\$ 87,665,391</b>

See accompanying notes to the consolidated financial statements.

## Episcopal Community Services of San Francisco

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2022 (with comparative totals for 2021)

	ECS					Affiliates	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
	Interim Housing	Supportive Housing	Education and Employment Services	Healthy Aging	Subtotal ECS Services						Total	Total
Salaries	\$ 13,269,263	\$ 8,458,725	\$ 2,565,463	\$ 370,481	\$ 24,663,932	\$ 1,458,504	\$ 26,122,436	\$ 3,846,786	\$ 454,358	\$ 4,301,144	\$ 30,423,580	\$ 32,874,626
Employee benefits and other payroll related costs	4,039,701	2,003,668	688,659	122,676	6,854,704	543,529	7,398,233	685,568	80,029	765,597	8,163,830	8,520,270
Professional services	91,138	1,014,886	54,870	2,230	1,163,124	1,612,924	2,776,048	1,243,652	185,624	1,429,276	4,205,324	3,780,603
Training and conferences	24,318	27,662	13,976	1,392	67,348		67,348	56,982	3,084	60,066	127,414	74,237
Marketing and printing	33,094	70,729	8,519	353	112,695		112,695	23,777	108,240	132,017	244,712	226,210
Food products	8,133	135,408	777,303		920,844		920,844	12	938	950	921,794	540,317
Food products, gifts-in-kind	57,037	426,401	9,508		492,946		492,946			-	492,946	617,648
Client subsidies and services	1,580,407	125,616	4,207,783	18,526	5,932,332		5,932,332	72,322	3,149	75,471	6,007,803	6,353,645
Supplies and services	332,527	634,906	22,350	9,793	999,576	1,248,382	2,247,958	88,833	4,899	93,732	2,341,690	2,241,477
Vehicle and transportation	17,100	623	21,575		39,298		39,298	90	6	96	39,394	26,259
Occupancy	1,620,728	7,233,736	150,184		9,004,648	2,890,457	11,895,105	99,643		99,643	11,994,748	9,606,793
Telecommunications	88,400	163,429	30,035	10,283	292,147	46,224	338,371	148,730	7,390	156,120	494,491	438,518
Insurance	153,800	256,284	55,257	6,393	471,734	1,288,564	1,760,298	35,043	5,363	40,406	1,800,704	492,717
Equipment and maintenance	44,605	840,965	65,683	1,572	952,825	1,743,478	2,696,303	76,375	1,037	77,412	2,773,715	1,701,320
Other	7,270	37,654	75,355	40,199	160,478	360,687	521,165	74,653	24,109	98,762	619,927	249,742
<b>Total expenses before depreciation and interest</b>	<b>21,367,521</b>	<b>21,430,692</b>	<b>8,746,520</b>	<b>583,898</b>	<b>52,128,631</b>	<b>11,192,749</b>	<b>63,321,380</b>	<b>6,452,466</b>	<b>878,226</b>	<b>7,330,692</b>	<b>70,652,072</b>	<b>67,744,382</b>
Interest expense						1,614,604	1,614,604	106,837		106,837	1,721,441	1,148,321
Depreciation and amortization		16,840			16,840	2,918,373	2,935,213	90,994		90,994	3,026,207	2,584,601
<b>Total Expenses</b>	<b>\$ 21,367,521</b>	<b>\$ 21,447,532</b>	<b>\$ 8,746,520</b>	<b>\$ 583,898</b>	<b>\$ 52,145,471</b>	<b>\$ 15,725,726</b>	<b>\$ 67,871,197</b>	<b>\$ 6,650,297</b>	<b>\$ 878,226</b>	<b>\$ 7,528,523</b>	<b>\$ 75,399,720</b>	<b>\$ 71,477,304</b>

See accompanying notes to the consolidated financial statements.



# Episcopal Community Services of San Francisco

## Consolidated Statement of Cash Flows

<i>Year Ended June 30, 2022 (with comparative totals for 2021)</i>	2022	2021
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 9,620,674	\$ 70,859,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,026,207	2,584,601
Capital contribution		(68,487,533)
Forgiveness of Paycheck Protection Program loan (Note 6)	(3,374,200)	
Changes in operating assets and liabilities:		
Grants and contracts receivable	524,132	(4,471,951)
Affiliate receivables	(165,381)	(1,365,488)
Prepaid expenses and other assets	(1,476,985)	25,228
Accounts payable and accrued expenses	2,555,258	1,595,389
Deferred revenue and contract advances	(1,185,431)	4,587,179
Accrued interest on notes payable	589,481	798,823
Tenant security deposits	742,710	17,438
<b>Net cash provided by operating activities</b>	<b>10,856,465</b>	<b>6,142,890</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from investments	17,270,432	4,556,533
Purchases of investments	(26,113,789)	(6,231,455)
Purchases of property and equipment	(10,155,941)	(102,279,791)
<b>Net cash used by investing activities</b>	<b>(18,999,298)</b>	<b>(103,954,713)</b>
<b>Cash Flows from Financing Activities:</b>		
Capital contribution		68,487,533
Proceeds from notes payable	8,463,581	33,684,083
Payments on notes payable	(470,498)	(29,313)
Payments on line of credit	(5,000,000)	(2,500,000)
Borrowings from line of credit	5,000,000	5,000,000
<b>Net cash provided by financing activities</b>	<b>7,993,083</b>	<b>104,642,303</b>
<b>Change in Cash and Cash Equivalents and Restricted Cash</b>	<b>(149,750)</b>	<b>6,830,480</b>
<b>Cash and Cash Equivalents and Restricted Cash, beginning of year</b>	<b>16,020,420</b>	<b>9,189,940</b>
<b>Cash and Cash Equivalents and Restricted Cash, end of year</b>	<b>\$ 15,870,670</b>	<b>\$ 16,020,420</b>
<b>Components of Cash and Cash Equivalents and Restricted Cash:</b>		
Cash and cash equivalents	\$ 6,634,813	\$ 6,242,529
Restricted cash	9,235,857	9,777,891
	<b>\$ 15,870,670</b>	<b>\$ 16,020,420</b>
<b>Supplemental Cash Flow Information:</b>		
Interest paid	\$ 315,907	\$ 181,249
<b>Noncash Investing and Financing Activities:</b>		
Assets acquired by assuming long-term liabilities	\$ 6,960,957	34,272,667
Interest added to principal balance of notes payable	\$ 1,337,527	\$ 783,279

See accompanying notes to the consolidated financial statements.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### 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 single adults and people in families between July 1, 2021 and June 30, 2022 with programs in four service areas: interim housing, supportive housing, education and employment services, 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. The Sanctuary shelter served 589 individuals with 35,082 shelter beds nights between July 1, 2021 and June 30, 2022.

**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 to 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 has offered interim housing, meals, laundry, healthcare, behavioral health, and other support services to over 900 guests in eight hotels and was intended to be a temporary emergency response. This program ended its operations in October 2022.

ECS's **Reentry Interim Housing** program provides short-term shelter and support services to men exiting incarceration. This program served 111 individuals between July 1, 2021 and June 30, 2022.

The **Bryant Homeless Property Program** can serve up to 500 homeless clients who can store their property for up to 6 months in a clean, safe, and secure environment.

#### *Supportive Housing*

ECS provides **permanent supportive housing** and services to more than 1,500 individuals at 18 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 the Consolidated Financial Statements For the Year Ended June 30, 2022

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ECS is the sponsor and owner of five 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 ownership structure for each facility is further explained in Note 2. Prior to August 2021 The Diva was a Shelter in Place (SIP) hotel. ECS also provides services in units 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 Post** (89 units).

ECS provides services for single adults at Mercy Housing California's buildings: **The Tahanan** (145 units), **The Rose** (75 units); units for 50 formerly homeless families at **1180 4<sup>th</sup> Street Apartments**, and units for 33 formerly homeless families at **455 Fell Street**. In collaboration with DISH Property Management, ECS provides services to 121 units at **The Auburn**, and 50 units at **The Minna Lee**.

ECS administers the **Step Up To Freedom** program, a Rapid Rehousing Program that places up to 40 justice-involved people into their own apartments with a 2-year rent subsidy.

ECS is the lead provider for the **SF Single Adult Coordinated Entry System (ACES)**. ACES serves as the gateway for people experiencing homelessness in the city to be assessed, prioritized, and matched to services and housing resources. ACES starts by providing problem solving and assessment, then prioritizes the most vulnerable individuals for supportive housing and housing navigation support. Clients who move into housing are offered stabilization services, such as connections to medical care or employment support, which help them transition into and maintain their new housing. ACES served 5,248 people in the year ending June 30, 2022, placing 656 of those people into supportive housing.

ECS's **Behavioral Health Team** (formerly Shelter Treatment Access and Resource Team) provides mobile behavioral health services to San Francisco's homeless in housing settings such as shelters, interim housing, navigation centers, shelter-in-place hotels, permanent supportive housing, and other parts of the homeless response system. Between July 1, 2021 and June 30, 2022, 280 individuals were supported through ECS's Behavioral Health services.

### *Education and Employment Services*

ECS offers education 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 the Consolidated Financial Statements For the Year Ended June 30, 2022

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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 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 2022 as it scaled up to prepare and deliver over 558,662 meals to guests and residents in affordable housing, interim housing, and shelter-in-place hotels.

ECS began a new Workforce program in January 2022, **Support Services Sector Employment Training Program** (SSSET) which prepares participants for positions in social services including shelter monitor, housing navigator, case manager, activities coordinator, etc. SSSET provided paid training and placement support to 40 participants between July 1, 2021 and June 30, 2022.

### *Healthy Aging*

**Canon Kip Senior Center** 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 provided through physically distanced in-person services, telephone and video conferencing, meal take-out, and delivery of activities and technological devices to reduce isolation. This program supported 802 participants and provided 85 tablets for seniors to access remote activities between July 1, 2021 and June 30, 2022.

## **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 the Consolidated Financial Statements For the Year Ended June 30, 2022

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### 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), 275 10th Street Associates L.P. (275 10th Street Associates), and ECS Housing Corporation (EHC), 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 became the owner of Canon Kip Community House on the 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 0.01% 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. EHC is the managing entity for 275 10th Street LLC (See Note 6).

Non-controlling interests by affiliate are as follows as of June 30, 2022:

Canon Kip Associates II L.P.	\$ 5,170,790
Canon Barcus Associates L.P.	(144,793)
275 10th Street Associates L.P.	2,086,854
	<hr/>
	\$ 7,112,851

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.

*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.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### 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.

ECS is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in ECS's consolidated financial statements as bequests receivable when clear title is established and the proceeds are measurable.

Contributed goods and services are recognized as in-kind revenues at their estimated fair value if they require a specialized skill, are provided by someone with that skill and would need to be purchased if they are not donated. In valuing the donated food, ECS estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

For the year ended June 30, 2022, ECS recognized in-kind contributions of \$492,946 which was utilized in the following functional program areas:

Interim housing	\$ 57,037
Supportive housing	426,401
Education and employment services	9,508
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	\$ 492,946

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# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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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 \$33,251,000, that have not been recognized at June 30, 2022, because qualifying expenditures have not yet been incurred. This amount consisted of \$18,249,000 of unspent costs in eight Shelter-in-place Hotels (SIP) and one COVID site and is mostly due to these programs being closed prior to the end of the fiscal year as directed by the related contracting agencies. Approximately \$7,736,000 was unspent mostly due to contracting agencies delays in finalizing contracts. \$6,479,000 was unspent due to reduced activities mostly driven by the pandemic. \$787,000 is scheduled to be carried over to the following fiscal year.

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.

Cash and cash equivalents include restricted cash of \$9,235,857 at June 30, 2022 that represents funds subject to restrictions from other parties regarding the future use of such cash, tenant security deposits, replacement reserves, and operating reserves.

f. Investments

Investments are reported at fair market 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 \$14,975,385 and are classified as Level 1, as defined below.

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.



# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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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 of the assets, which range from three to forty years.

i. Loan costs

Loan costs are amortized over the life of the related debt using the straight-line method, which approximates the effective yield method of amortization and are included in loan payable in the accompanying Consolidated Statement of Financial Position.

j. 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 consolidated financial statements.

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

Canon Barcus Associates, L.P. is a limited partnership that is controlled by Canon Barcus, Inc., a supporting organization of ECS which is tax-exempt 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 10<sup>th</sup> Street LLC, a single member limited liability company.

ECS Housing Corporation is a tax-exempt organization under the provisions of the Internal Revenue Code, Section 501(c)(3), 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.



# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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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 consolidated financial statements. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

k. Allocation of Functional 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.

l. 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.

m. Comparative Financial Statements

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, 2021 from which the summarized information was derived.

n. Recent Accounting Pronouncements

*Pronouncement Adopted*

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 Consolidated Statement of Activities and Changes in Net Assets, apart from contributions of cash or other financial assets. ECS adopted this pronouncement for the year ended June 30, 2022.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### *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.

o. 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, 2022 through December 5, 2022, 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 occurred which would require disclosure, except as disclosed in Notes 1, 4, 9, and 13.

### **Note 3 - Grants and Contracts Receivable:**

Grants and contracts receivable consist of the following at June 30, 2022:

Government contracts	\$ 7,352,092
Contributions receivable	1,653,468
Other	712,295
	<hr/>
	\$ 9,717,855
	<hr/>

Grants and contracts receivable as of June 30, 2022 are expected to be received as follows: \$8,917,855 within one year and \$800,000 within two to three years.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### Note 4 - Fixed Assets:

Fixed assets at June 30, 2022 were as follows:

Land	\$ 64,604,947
Site improvements	1,005,859
Building and building improvements	99,861,714
Leasehold improvements	4,617,742
Furniture and equipment	3,168,438
Vehicles	38,933
Construction in Process	11,046,329
<hr/>	
Subtotal	184,343,963
<hr/>	
Less: accumulated depreciation	(27,122,932)
<hr/>	
	\$ 157,221,031

Depreciation and amortization expense for the year ended June 30, 2022 was \$3,026,207.

1000 Sutter LLC entered into construction and architectural design agreements with a combined remaining commitment of approximately \$39,128,000 as of June 30, 2022. Subsequent to year end, ECS paid approximately \$6,551,000 of the remaining commitment.

440 Geary LLC entered into construction and architectural design agreements with a combined remaining commitment of approximately \$13,965,000 as of June 30, 2022. Subsequent to year end, ECS paid approximately \$4,903,000 of the remaining commitment.

### Note 5 - Line of Credit:

ECS has 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 a rate of 3.25% per annum at June 30, 2022; the outstanding balance as of June 30, 2022 is \$5,000,000 with a maturity date of February 20, 2023.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

### Note 6 - Notes Payable:

Notes payable at June 30, 2022 consisted of the following by entity:

ECS	\$ 643,768
Canon Kip Associates II, L.P.	12,960,139
Canon Barcus Associates L.P.	8,190,735
275 10 <sup>th</sup> Street Associates L.P.	16,944,219
1000 Sutter LLC	9,673,269
440 Geary LLC	31,395,542
<hr/>	
Total	\$ 79,807,672

Interest payable consisted of the following at June 30, 2022:

Canon Kip Associates II, L.P.	\$ 1,467,242
Canon Barcus Associates L.P.	3,624,071
275 10 <sup>th</sup> Street Associates L.P.	2,260,722
1000 Sutter LLC	9,665
440 Geary LLC	91,129
<hr/>	
Total	\$ 7,452,829

Interest expense consisted of the following for the year ended June 30, 2022:

ECS	\$ 106,837
Canon Kip Associates II, L.P.	321,805
Canon Barcus Associates L.P.	244,737
275 10 <sup>th</sup> Street Associates L.P.	210,912
1000 Sutter LLC	9,275
440 Geary LLC	827,875
<hr/>	
Total	\$ 1,721,441

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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a. Episcopal Community Services of San Francisco

In March 2022, ECS entered into a loan in the amount of \$1,101,437 that bears annual interest of 4.5% with a maturity date of January 9, 2023 from First Insurance Funding (the Loan). The Loan was taken out on behalf of 1000 Sutter LLC to pay for insurance related to the construction rehabilitation project of the building owned by 1000 Sutter LLC, and is secured by an interest in these policies. As of June 30, 2022, loan balance was \$643,768. The loan will be partially repaid through draws against the construction loan (see below), with the remaining balance to be repaid directly to ECS by 1000 Sutter, LLC. The Loan is payable in monthly payments of \$93,351.

During the year ended June 30, 2021, 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). On August 17, 2021, ECS was granted loan forgiveness for the full amount of the PPP loan and related accrued interest totaling \$3,417,346. The loan forgiveness is recognized as revenue in the Consolidated Statement of Activities and Changes in Net Assets for the year ended June 30, 2022.

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 II, L.P. (CKA II). CKI has a 0.01% ownership interest in CKA II. Until December 14, 2016, Canon Kip Associates L.P. (CKA), a now dissolved entity, owned and operated Canon Kip Community House (CKCH), a 103-unit low-income housing tax credit, permanent supportive housing project (the Project) for formerly homeless adults, which was developed by ECS in 1994.

The Project, while held by CKA, completed its low-income housing tax credit compliance period on December 31, 2009, and on January 1, 2010, National Equity Fund 1992 Limited Partnership, 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.

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.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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CKA II, through the General Partner, has entered 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 Shelter Plus Care program has since adopted HUD's program name, Continuum of Care (CoC) program and is no longer referred to as Shelter Plus Care on the federal and local levels. 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.

Notes payable for Canon Kip Associates II are secured by the property and are due upon maturity unless otherwise indicated. For the year ended June 30, 2022 CKA II accrued interest expense of \$321,805 for a total outstanding accrued interest balance at year-end of \$1,467,242. These notes payable consisted of the following as of June 30, 2022:

Note payable to the City and County of San Francisco (CDBG/HOME) bearing interest of 3% per annum. Annual payments to be made subject to available net cash flow. The principal and unpaid accrued interest to be repaid in full on the 55 <sup>th</sup> anniversary of the project's "Conversion Date" of October 1, 2071.	\$ 5,743,396
Note payable to the California Department of Housing and Community Development (HCD/RHCP loan) bearing simple interest of 3% per annum. Annual payments to be made subject to available net cash flow. The loan is due in 2071.	3,240,581
Note payable to Silicon Valley Bank (AHP) is non-interest bearing and is due and payable in 2074.	1,030,000

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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Note payable to the Department of Housing and Community Development for Multifamily Housing Program in the amount of \$3,000,000 bearing 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 <sup>th</sup> anniversary of the project's "date of recordation" which is December 15, 2071.	3,000,000
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Total	13,013,977
Less unamortized loan costs	(53,838)
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Total - net of unamortized loan costs	\$ 12,960,139

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

The ECS Board of Directors appoints the members of the Board of Directors of Canon Barcus, Inc. (CBI). CBI is the managing General Partner of Canon Barcus Associates, L.P. (CBA), which owns Canon Barcus Community House (CBCH), 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 was collected and invested in a government money market fund until March 2020, when the balance was transferred out and used as part of ECS's down payment towards the CHEFS kitchen facility at the 1064 Mission project. (See Note 9.)

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 the Consolidated Financial Statements For the Year Ended June 30, 2022

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, 2022 for a total accrued interest balance at year-end of \$3,624,071. These notes payable consisted of the following at June 30, 2022:

Note payable to the City and County of San Francisco in the original amount of \$1,122,250, is non-interest bearing and matures and payable 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, bearing 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 non-interest bearing, 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.	6,213,156
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Total	8,224,812
Less unamortized loan costs	(34,077)
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Total - net of unamortized loan costs	\$ 8,190,735



# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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d. 275 10<sup>th</sup> Street LLC and 275 10<sup>th</sup> Street Associates, L.P.

ECS is the sponsor and developer of Bishop Swing Community House (BSCH), a 134-unit low-income housing tax-credit, permanent supportive housing project for formerly homeless individuals, which completed construction in July 2009. Ownership of the development, located at 275 10th Street, is held by 275 10th Street Associates, L.P. (The Partnership). The Partnership holds a 70-year ground 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 10<sup>th</sup> 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 10<sup>th</sup> Street, LLC. ECS has guaranteed 275 10<sup>th</sup> Street, LLC's contractual obligations, including the continued management and operations of the development. 275 10<sup>th</sup> 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, of which \$497,500 was invested in a government money market account. The entire amount of the developer fee was held until March 2020, when the balance was transferred out and used as part of ECS's down payment towards the CHEFS kitchen facility at the 1064 Mission project. (See Note 9.)

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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, 2022 for a total outstanding accrued interest balance of \$2,260,722. These notes payable consisted of the following at June 30, 2022:

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.	2,871,151
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, bearing 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	16,983,082
Less unamortized loan costs	(38,863)
Total - net of unamortized loan costs	\$ 16,944,219

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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Additionally, 275 10th Street LLC carries a note payable to Silicon Valley Bank in the original amount of \$675,000. The AHP loan is non-interest bearing, 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

On July 16, 2020, the State of California Housing and Community Development Department (HCD) issued a Notice of Funding Availability (NOFA) to be utilized in the acquisition, development, rehabilitation, and operations of affordable housing projects, called the Homekey Program. In August 2020, ECS partnered with the City and County of San Francisco's Department of Homelessness and Supportive Housing (HSH) as co-sponsors, with the City as lead applicant, and submitted an application for these funds with the intention of acquiring, owning, rehabilitating and operating a 214-unit property located at 1000 Sutter Street, San Francisco, called the Granada Hotel. ECS then entered into a Purchase and Sale Agreement on September 29, 2020 for this property, and on October 18, 2020, 1000 Sutter LLC was formed.

HCD approved ECS and HSH's application, and a Standard Agreement was executed on November 6, 2020, with \$47,854,020 total Homekey funds awarded. ECS assigned both documents to 1000 Sutter LLC on November 13, 2020 for which ECS Housing Corporation is the sole manager and member, and on the same date, 1000 Sutter LLC acquired the Granada Hotel for \$46,000,000, in which \$42,334,020 of Homekey award funds were expended at acquisition. The remaining \$5,520,000 was to be utilized as a 24-month operating subsidy with the requirement that the entire award be fully expended by June 30, 2022. As of June 30, 2022, all Homekey award funds at 1000 Sutter LLC had been fully expended.

1000 Sutter LLC also entered into two loans, one for \$10,000,000 with the City and County of San Francisco (CCSF), of which \$6,606,166 was utilized at acquisition, and another for \$37,185,184 with the San Francisco Housing Accelerator Fund (SFHAF), for the development and rehabilitation of the project. ECS entered a Repayment Guaranty, Completion Guaranty, and Environmental Indemnity Agreement with SFHAF, and CCSF signed a letter of support for conversion of the bridge loan amount of \$37,185,184.

On December 22, 2021, 1000 Sutter LLC and SFHAF amended the loan to increase the maximum loan amount to \$43,099,404 and extended the maturity date to November 30, 2023. CCSF signed an amended letter of support for the conversion of the modified bridge loan for the amended amount.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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For the year ended June 30, 2022 1000 Sutter LLC recorded interest of \$54,306, of which \$45,722 was capitalized as Construction in Process. Accrued interest balance at year-end is \$9,665. These notes payable consist of the following at June 30, 2022:

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 interest of 3.5% per annum and maturing on November 13, 2075.	\$ 6,606,166
Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for an ongoing construction loan with an original amount of \$37,185,184 and an amended limit of \$43,099,404, bearing interest of 3.5% per annum. The loan will continue to be drawn upon until the maturity date of November 30, 2023.	3,300,649
Total	9,906,815
Less unamortized permanent loan costs	(233,546)
Total - net of unamortized permanent loan costs	\$ 9,673,269

f. 440 Geary LLC

On August 12, 2020, CCSF HSH submitted a letter of intent to acquire a 128-unit property located at 440 Geary Street, San Francisco, CA, also known as Hotel Diva. The property had been operating as a Shelter-in-Place hotel since April 25, 2020 under an Emergency Agreement entered by the City's Human Services Agency (SFHSA) and the Seller. On the same date, CCSF HSH as lead applicant, and ECS as co-applicant, submitted an application to HCD's Homekey Program (NOFA dated July 16, 2020) for the acquisition, ownership, rehabilitation and operation of Hotel Diva. 440 Geary LLC was formed on October 18, 2020 to carry out this purpose.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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On November 23, 2020, a Standard Agreement for \$26,000,000 in Homekey award funds was executed between HCD and co-sponsors, HSH and ECS. On November 25, 2020, ECS entered into a Purchase and Sale Agreement with the Seller to acquire Hotel Diva. On December 2, 2020, ECS assigned the Homekey Standard Agreement and Purchase and Sale Agreement to 440 Geary LLC, for which ECS Housing Corporation is the sole manager and member. On the same date, 440 Geary LLC acquired Hotel Diva for \$50,000,000, with the full \$26,000,000 in Homekey award funds expended at the date of acquisition. To complete the transaction, 440 Geary LLC entered into one bridge loan for \$32,000,000 with the San Francisco Housing Accelerator Fund (SFHAF) and utilized \$26,429,235 for associated closing costs and remainder of the purchase price. ECS also entered a Repayment Guaranty, Completion Guaranty and Environmental Indemnity Agreement with SFHAF as part of the loan agreement.

On January 12, 2021, HCD amended the Homekey award from \$26,000,000 to \$29,000,000, in which the \$3,000,000 would be utilized as a 24-month operating subsidy with an expenditure requirement to fully utilize the entire award by June 30, 2022. All Homekey award funds had been fully expended as of June 30, 2022.

On November 15, 2021, 440 Geary LLC and SFHAF amended the loan to increase the maximum loan amount to \$47,386,810 and extend the maturity date to September 30, 2023. CCSF signed a letter of support for conversion of the modified bridge loan.

For the year ended June 30, 2022, 440 Geary LLC recorded interest of \$848,462 of which \$836,159 was capitalized as construction in process. Accrued interest balance at year-end is \$91,129. These notes payable consisted of the following at June 30, 2022:

Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for an acquisition and construction loan with an original amount of \$32,000,000 and amended limit of \$47,386,810, bearing interest at 3.5% per annum. No payments will be made until the maturity date of September 30, 2023.	\$ 31,528,056
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Total	31,528,056
Less unamortized loan costs	(132,513)
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Total – net of unamortized loan costs	\$ 31,395,542

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions were as follows as of June 30, 2022:

Interim housing	\$ 234,761
Supportive housing	10,742,131
Capital projects	2,538,910
Time restriction	1,343,293
Other	129,663
	<hr/>
	\$ 14,988,758

Net assets released from restrictions during the year ended June 30, 2022 were as follows:

Interim housing	\$ 596,935
Supportive housing	107,326
Education and employment services	157,147
Healthy aging	103,609
Time restriction	500,000
	<hr/>
	\$ 1,465,017

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### Note 8 - Availability of Financial Assets and Liquidity:

ECS's financial assets available within one year of June 30, 2022 for general expenditures are as follows:

Financial assets at year end:

Cash and cash equivalents	\$ 15,870,670
Grants and contracts receivable	9,717,855
Affiliate and rent receivables	2,138,681
Investments	14,975,385

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Total financial assets	42,702,591
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Less amounts not available to be used within one year:

Restricted cash	(9,235,857)
Cash restricted for use by the affiliates	(5,359,320)
Net assets with donor restrictions	(14,988,758)
Board-designated net assets	(259,428)
Add net assets with purpose restrictions to be met in less than one year	13,770,670

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(16,072,693)

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Financial assets available to meet general expenditures over the next twelve months	\$ 26,629,898
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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.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### Note 9 - **Affiliated Organizations:**

#### *1064 Mission, L.P.*

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. As of June 30, 2022, The Partnership is not considered part of ECS’s reporting entity because ECS does not have both control and an economic interest in the Partnership. Control is construed to mean majority control of the Partnership through voting interest. Economic interest indicates either residual interest in the Partnership or some form of material financial support.

Total assets of the Partnership were approximately \$122,442,000 and total liabilities were approximately \$115,831,000 according to the Partnership’s unaudited financial statements as of June 30, 2022. The liabilities balance includes an amount payable to ECS of \$7,436,966, which represents developer fees earned but not paid on the construction project through June 30, 2022.

The managing general partner, 1064 Mission LLC, 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, 2022, which are payable to the City and County of San Francisco, Chase Bank, Silicon Valley Bank (AHP), and Mercy Housing California were \$39,793,849, \$52,646,085, \$1,500,000, and \$379,217, respectively.

In a prior year the Partnership entered into construction and architectural design agreements with a combined remaining commitment of approximately \$32,098,000 as of June 30, 2022. Subsequent to year end, ECS paid approximately \$12,469,000 of the remaining commitment.

#### *1251 S. Eliseo LLC*

On October 21, 2021, ECS entered into a Purchase and Sale agreement to acquire 1251 South Eliseo Drive, Greenbrae, CA, for the purposes of rehabilitating and operating a 44-unit permanent supportive housing project to home chronically homeless individuals by May 2023.

On November 15, 2021, ECS and the County of Marin Department of Health and Human Services (“MHHS”) submitted the application for HCD Homekey Program Round 2 (NOFA dated September 9, 2021, later amended January 14, 2022) for the grant amount of \$15,497,200. HCD awarded the full grant award to the County of Marin on February 9, 2022 and the Standard Agreement was executed on April 18, 2022. Of the \$15,497,200, \$12,900,000 was to be used in the acquisition/rehabilitation of the project, and the remaining \$2,597,200 to be used as operating subsidy.



# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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On January 15, 2022, 1251 S. Eliseo LLC was formed and ECS entered into an operating agreement with the LLC as the sole member and manager. On May 10, 2022, 1251 S. Eliseo LLC and the County of Marin entered into a Capital Grant Agreement for \$11,400,000 to fund the development/rehabilitation of the property. An addendum was executed on May 12, 2022 to include an additional \$1,000,000. ECS entered into certain grant agreements with Marin Community Foundation for \$2,000,000 on December 10, 2021 and Tamalpais Pacific for \$200,000 dated March 17, 2022 for capital funding of the project. These grants were later assigned to 1251 S. Eliseo LLC on June 28, 2022. Total capital budget with these four grants total to \$27,500,000.

The HCD Homekey Standard Agreement; and Purchase and Sale Agreement were assigned to 1251 S. Eliseo LLC on August 3, 2022, and the purchase closed on August 4, 2022. HCD Homekey capital funds of \$11,130,000 were utilized in the acquisition, with \$1,770,000 remaining for construction rehabilitation.

During the year ended June 30, 2022, 1251 S. Eliseo LLC entered into construction and architectural design agreements with a combined remaining commitment of approximately \$25,804,000 as of June 30, 2022. Subsequent to year end, ECS paid approximately \$1,503,000 of the remaining commitment.

### Note 10 - Commitments and Contingencies:

#### Operating Leases

ECS is obligated under certain leases of its facilities through December 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 June 1, 2027.

Total future lease obligations are as follows:

Year ending June 30,	
2023	\$ 6,624,000
2024	4,719,000
2025	3,649,000
2026	2,698,000
2027	2,770,000
Thereafter	4,174,000
	<hr/>
	\$ 24,634,000

Rental expense for the year ended June 30, 2022 was \$7,514,471.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### Contingencies

ECS's 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 consolidated financial statements.

ECS has provided certain guarantees in conjunction with its relationships with Canon Kip Associates II, L.P., Canon Barcus Associates, L.P., 275 10<sup>th</sup> Street Associates L.P., 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 to receive a discretionary employer match and employer contribution. ECS total matching contributions were \$698,842 for the year ended June 30, 2022.

### **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 \$15,028,461 at June 30, 2022. Grants and contracts receivable represent unsecured amounts due from federal, state, and local governmental agencies.

# Episcopal Community Services of San Francisco

## Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022

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### **Note 13 - Global Pandemic:**

As it moves beyond the COVID-19 Pandemic Phase, ECS increased its shelter bed capacity at the Sanctuary. In October 2022, ECS closed all 8 Shelter in Place Hotels (SIPs) it operated during the pandemic, one of which has transitioned and currently operates as a “non-congregate shelter”. Program operations have returned to in person staff and client meetings and activities. ECS has suspended its mask mandate in all environments except for the Sanctuary congregate shelter and has adopted a policy requiring all administrative staff to work from their ECS office three days per week. ECS continues to monitor COVID-19 surges and variants to ensure our policies and practices are responsive to all Federal, state and local directives.

# Episcopal Community Services of San Francisco and Affiliates

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

June 30, 2022

	ECS	Canon Kip II	Canon Barcus	275 10th Street	1000 Sutter	440 Geary	Eliminations	2022 Consolidated
<b>Assets:</b>								
Cash and cash equivalents and restricted cash	\$ 1,275,494	\$ 3,150,119	\$ 1,553,779	\$ 1,503,255	\$ 3,660,712	\$ 4,727,311		\$ 15,870,670
Grants and contracts receivable	8,837,335	40,782	2,923		394,991	441,824		9,717,855
Affiliate and rent receivables	3,732,918	515,355	143,736	212,430	53,029	15,864	\$ (2,534,650)	2,138,682
Investments	14,975,385							14,975,385
Prepaid expenses and other assets	1,412,271	65,702		5,658	872,663	345,737		2,702,031
Fixed assets, net	1,960,692	15,992,335	10,458,958	19,960,602	52,240,516	56,607,928		157,221,031
<b>Total assets</b>	<b>\$ 32,194,095</b>	<b>\$ 19,764,293</b>	<b>\$ 12,159,396</b>	<b>\$ 21,681,945</b>	<b>\$ 57,221,911</b>	<b>\$ 62,138,664</b>	<b>\$ (2,534,650)</b>	<b>\$ 202,625,654</b>
<b>Liabilities:</b>								
Accounts payable and accrued expenses	\$ 3,593,089	\$ 126,460	\$ 278,787	\$ 252,751	\$ 2,495,517	\$ 1,704,922		\$ 8,451,526
Affiliate payables	319,854		116,350	108,116	1,335,972	654,358	\$ (2,534,650)	-
Line of credit	5,000,000							5,000,000
Deferred revenue and contract advances		7,090	74,635		2,577,151	1,127,389		3,786,265
Notes payable, net	643,768	12,960,139	8,190,735	16,944,219	9,673,269	31,395,542		79,807,672
Accrued interest on notes payable		1,467,242	3,624,071	2,260,722	9,665	91,129		7,452,829
Tenant security deposits		32,572	19,611	29,283	501	759,330		841,297
<b>Total liabilities</b>	<b>9,556,711</b>	<b>14,593,503</b>	<b>12,304,189</b>	<b>19,595,091</b>	<b>16,092,075</b>	<b>35,732,670</b>	<b>(2,534,650)</b>	<b>105,339,589</b>
<b>Net Assets:</b>								
Without donor restrictions:								
Undesignated	7,389,198							7,389,198
Board designated	259,428							259,428
Affiliated entities (Note 2)		5,170,790	(144,793)	2,086,854	41,129,836	26,405,994	(7,112,851)	67,535,830
Non-controlling interests (Note 2)							7,112,851	7,112,851
<b>Total net assets without donor restrictions</b>	<b>7,648,626</b>	<b>5,170,790</b>	<b>(144,793)</b>	<b>2,086,854</b>	<b>41,129,836</b>	<b>26,405,994</b>	<b>-</b>	<b>82,297,307</b>
<b>With donor restrictions</b>	<b>14,988,758</b>							<b>14,988,758</b>
<b>Total net assets</b>	<b>22,637,384</b>	<b>5,170,790</b>	<b>(144,793)</b>	<b>2,086,854</b>	<b>41,129,836</b>	<b>26,405,994</b>	<b>-</b>	<b>97,286,065</b>
<b>Total liabilities and net assets</b>	<b>\$ 32,194,095</b>	<b>\$ 19,764,293</b>	<b>\$ 12,159,396</b>	<b>\$ 21,681,945</b>	<b>\$ 57,221,911</b>	<b>\$ 62,138,664</b>	<b>\$ (2,534,650)</b>	<b>\$ 202,625,654</b>

# 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, 2022

	2022									
	ECS			Canon Kip II	Canon Barcus	275 10th Street	1000 Sutter	440 Geary	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total							
<b>Support and Revenue:</b>										
Contributions and foundation grants	\$ 1,405,270	\$ 1,365,191	\$ 2,770,461							\$ 2,770,461
Bequests and trust revenue		10,000,000	10,000,000							10,000,000
Contributions, gifts-in-kind	492,946		492,946							492,946
Government grants and contracts	53,614,343		53,614,343							53,614,343
Rental income	1,832,732		1,832,732	\$ 2,249,535	\$ 1,591,325	\$ 1,789,578	\$ 2,942,569	\$ 2,674,253	\$ (181,164)	12,898,828
Other program income	1,470,766		1,470,766							1,470,766
Interest income	7,934		7,934		69	145				8,148
Other income	93,720		93,720	128,827	64,406	23,995	31,456	5,152		347,556
Release of donor restrictions	1,465,017	(1,465,017)	-							-
<b>Total support and revenue</b>	<b>60,382,728</b>	<b>9,900,174</b>	<b>70,282,902</b>	<b>2,378,362</b>	<b>1,655,800</b>	<b>1,813,718</b>	<b>2,974,025</b>	<b>2,679,405</b>	<b>(181,164)</b>	<b>81,603,048</b>
<b>Expenses:</b>										
Program services	52,145,471		52,145,471	2,979,170	2,209,088	2,755,118	3,974,303	3,989,211	(181,164)	67,871,197
Supporting services	7,528,523		7,528,523							7,528,523
<b>Total operating expense</b>	<b>59,673,994</b>		<b>59,673,994</b>	<b>2,979,170</b>	<b>2,209,088</b>	<b>2,755,118</b>	<b>3,974,303</b>	<b>3,989,211</b>	<b>(181,164)</b>	<b>75,399,720</b>
<b>Change in Net Assets Before Other Changes</b>	<b>708,734</b>	<b>9,900,174</b>	<b>10,608,908</b>	<b>(600,808)</b>	<b>(553,288)</b>	<b>(941,400)</b>	<b>(1,000,278)</b>	<b>(1,309,806)</b>		<b>6,203,328</b>
<b>Other Changes:</b>										
Forgiveness of Paycheck Protection Program Loan (Note 6)	3,417,346		3,417,346							3,417,346
<b>Total Change in Net Assets</b>	<b>4,126,080</b>	<b>9,900,174</b>	<b>14,026,254</b>	<b>(600,808)</b>	<b>(553,288)</b>	<b>(941,400)</b>	<b>(1,000,278)</b>	<b>(1,309,806)</b>	<b>-</b>	<b>9,620,674</b>
<b>Net Assets, Beginning of year</b>	<b>3,522,546</b>	<b>5,088,584</b>	<b>8,611,130</b>	<b>5,771,598</b>	<b>408,495</b>	<b>3,028,254</b>	<b>42,130,114</b>	<b>27,715,800</b>		<b>87,665,391</b>
<b>Net Assets, End of year</b>	<b>\$ 7,648,626</b>	<b>\$ 14,988,758</b>	<b>\$ 22,637,384</b>	<b>\$ 5,170,790</b>	<b>\$ (144,793)</b>	<b>\$ 2,086,854</b>	<b>\$ 41,129,836</b>	<b>\$ 26,405,994</b>	<b>\$ -</b>	<b>\$ 97,286,065</b>