

Hood & Strong

Advisory, Tax
and Assurance

Episcopal Community Services of San Francisco

June 30, 2025

Consolidated Financial Statements and
Supplementary Information

Episcopal Community Services of San Francisco

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Independent Auditors' 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, 2025, 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, 2025, 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.

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.

Report on Summarized Comparative Information

We have previously audited ECS's June 30, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
December 15, 2025

Episcopal Community Services of San Francisco

Consolidated Statement of Financial Position

June 30, 2025 (with comparative totals for 2024)	2025	2024
Assets:		
Cash and cash equivalents	\$ 18,854,491	\$ 20,307,071
Grants and contracts receivable	13,111,445	14,819,540
Affiliate and rent receivables	3,483,476	2,620,660
Investments	3,960,124	7,743,116
Prepaid expenses and other assets	1,690,598	1,969,161
Fixed assets, net	233,511,839	221,943,205
Investment in affiliates	2,641,708	2,641,708
Operating lease right-of-use assets	45,119,750	25,763,744
 Total assets	\$ 322,373,431	\$ 297,808,205
 Liabilities:		
Accounts payable and accrued expenses	\$ 10,219,423	\$ 17,650,698
Line of credit	10,000,000	10,000,000
Deferred revenue and contract advances	7,651,813	5,876,879
Notes payable, net	156,727,694	137,250,551
Accrued interest on notes payable	9,243,800	8,578,585
Tenant security deposits	141,463	129,818
Operating lease liabilities	45,699,821	26,234,027
 Total liabilities	239,684,014	205,720,558
 Net Assets:		
Without donor restrictions:		
Undesignated	8,966,007	6,164,876
Board designated	259,428	259,428
Affiliated entities (Note 2)	81,609,692	83,585,712
Non-controlling interests (Note 2)	(9,714,807)	(7,589,860)
 Total net assets without donor restrictions	81,120,320	82,420,156
 With donor restrictions	1,569,097	9,667,491
 Total net assets	82,689,417	92,087,647
 Total liabilities and net assets	\$ 322,373,431	\$ 297,808,205

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, 2025 (with comparative totals for 2024)

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions and foundation grants	\$ 2,409,745	\$ 1,170,720	\$ 3,580,465	\$ 3,728,622
Bequest and trust revenue		86,643	86,643	276,065
Contributions, gifts-in-kind	676,461		676,461	545,791
Government grants and contracts	60,019,540		60,019,540	56,997,015
Rental income	15,504,564		15,504,564	14,944,713
Other program income	698,251		698,251	2,804,687
Interest income	219,006		219,006	352,497
Other income	550,539		550,539	337,772
Release of donor restrictions	9,355,757	(9,355,757)	-	-
Total support and revenue	89,433,863	(8,098,394)	81,335,469	79,987,162
Expenses:				
Program services	78,594,943		78,594,943	74,022,538
Supporting services	12,138,756		12,138,756	11,538,403
Total expenses	90,733,699	-	90,733,699	85,560,941
Change in Net Assets Before Other Changes	(1,299,836)	(8,098,394)	(9,398,230)	(5,573,779)
Other Changes:				
Government grant refund			-	(2,075,834)
Net Assets, beginning of year	82,420,156	9,667,491	92,087,647	99,737,260
Net Assets, end of year	\$ 81,120,320	\$ 1,569,097	\$ 82,689,417	\$ 92,087,647

See accompanying notes to the consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Functional Expenses

Year Ended June 30, 2025 (with comparative totals for 2024)

	ECS					Housing Entities	Total Program Services	Management and General	Fundraising	Total Supporting Services	2025 Total	2024 Total
	Interim Housing	Supportive Housing	Education and Employment Services	Healthy Aging	Subtotal ECS Services							
Salaries	\$ 12,022,499	\$ 11,862,800	\$ 1,749,149	\$ 470,862	\$ 26,105,310	\$ 1,676,931	\$ 27,782,241	\$ 5,536,013	\$ 649,563	\$ 6,185,576	\$ 33,967,817	\$ 32,827,134
Employee benefits and other payroll related costs	3,981,730	3,043,804	560,922	159,375	7,745,831	510,173	8,256,004	1,228,302	133,813	1,362,115	9,618,119	9,167,823
Professional services	100,761	1,353,389	162,854	12,982	1,629,986	2,137,387	3,767,373	2,101,202	24,323	2,125,525	5,892,898	5,672,340
Training and conferences	130,009	47,797	9,625	1,188	188,619	6,944	195,563	87,112	6,567	93,679	289,242	410,611
Marketing and printing	47,857	141,363	16,018		205,238		205,238	37,843	315,977	353,820	559,058	448,595
Food products	883	228,491	1,217,744	660	1,447,778		1,447,778	385	319	704	1,448,482	1,327,244
Food products, gifts-in-kind		573,509			573,509		573,509	85		85	573,594	512,675
Client subsidies and services	6,594,279	241,319	401,396	21,639	7,258,633		7,258,633	57,862	661	58,523	7,317,156	7,016,932
Supplies and services	491,630	707,066	75,444	2,769	1,276,909	1,272,930	2,549,839	118,235	10,272	128,507	2,678,346	2,515,343
Vehicle and transportation	3,384		582	11,102			15,068	379		379	15,447	46,744
Occupancy	2,217,256	8,743,319	197,105		11,157,680	2,538,238	13,695,918	353,453		353,453	14,049,371	13,770,615
Telecommunications	179,638	211,441	28,281	8,306	427,666	84,526	512,192	143,224	12,809	156,033	668,225	477,108
Insurance	283,330	574,611	107,217	36,552	1,001,710	2,148,284	3,149,994	105,685	18,447	124,132	3,274,126	1,315,433
Equipment and maintenance	72,638	1,196,909	26,927	5,762	1,302,236	2,440,169	3,742,405	61,352	2,820	64,172	3,806,577	3,735,236
Other	29,483	73,372	42,512	43,948	189,315	683,176	872,491	192,415	44,171	236,586	1,109,077	1,038,756
Total expenses before Depreciation and interest	26,155,377	28,999,772	4,606,296	764,043	60,525,488	13,498,758	74,024,246	10,023,547	1,219,742	11,243,289	85,267,535	80,282,589
Interest expense						-	970,756	970,756	805,047		805,047	1,775,803
Depreciation and amortization	6,223	160,518			166,741	3,433,200	3,599,941	90,420		90,420	3,690,361	3,342,435
Expenses as shown on the Consolidated Statement of Activities and Changes in Net Assets	26,161,600	29,160,290	4,606,296	764,043	60,692,229	17,902,714	78,594,943	10,919,014	1,219,742	12,138,756	90,733,699	85,560,941
Other expenses: Government grant refund											-	2,075,834
Total Expenses	\$ 26,161,600	\$ 29,160,290	\$ 4,606,296	\$ 764,043	\$ 60,692,229	\$ 17,902,714	\$ 78,594,943	\$ 10,919,014	\$ 1,219,742	\$ 12,138,756	\$ 90,733,699	\$ 87,636,775

See accompanying notes to the consolidated financial statements.

Episcopal Community Services of San Francisco

Consolidated Statement of Cash Flows

Year Ended June 30, 2025 (with comparative totals for 2024)	2025	2024
Cash Flows from Operating Activities:		
Change in net assets	\$ (9,398,230)	\$ (7,649,613)
Adjustments to reconcile change in net assets to net cash(used) provided by operating activities:		
Depreciation and amortization	3,690,361	3,342,435
Amortization of operating lease right-of-use assets	9,567,557	9,831,389
Changes in operating assets and liabilities:		
Grants and contracts receivable	1,708,095	(3,716,586)
Affiliate and rent receivables	(862,816)	(1,490,493)
Prepaid expenses and other assets	278,563	(386,370)
Accounts payable and accrued expenses	(7,431,275)	(496,682)
Deferred revenue and contract advances	1,774,934	436,965
Accrued interest on notes payable	665,215	425,281
Tenant security deposits	11,645	49,950
Operating lease liabilities	(9,457,769)	(9,236,867)
Net cash used by operating activities	(9,453,720)	(8,890,591)
Cash Flows from Investing Activities:		
Proceeds from investments	5,000,000	14,362,780
Purchases of investments	(1,217,008)	(6,993,012)
Investment in affiliates		47,795
Purchases of property and equipment	(15,241,704)	(27,292,308)
Net cash used by investing activities	(11,458,712)	(19,874,745)
Cash Flows from Financing Activities:		
Proceeds from notes payable	21,312,528	75,396,757
Payments on notes payable	(1,852,676)	(46,070,437)
Payments on line of credit		(13,000,000)
Borrowings from line of credit		13,000,000
Net cash provided by financing activities	19,459,852	29,326,320
Change in Cash and Cash Equivalents and Restricted Cash	(1,452,580)	560,984
Cash and Cash Equivalents and Restricted Cash, beginning of year	20,307,071	19,746,087
Cash and Cash Equivalents and Restricted Cash, end of year	\$ 18,854,491	\$ 20,307,071
Supplemental Cash Flow Information:		
Interest paid	\$ 1,110,588	\$ 1,510,637
Noncash transactions from operating, investing and financing activities:		
Operating lease right-of-use assets financed by lease liabilities	\$ 28,349,586	\$ 5,764,273
Purchases of fixed assets in account payable and accrued expenses	\$ 883,467	\$ 8,047,807
Assets acquired by assuming long-term liabilities	\$ 14,615,527	\$ 27,164,989
Interest added to principal balance of notes payable	\$ 742,921	\$ 2,003,520

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, 2025

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 families with programs in four service areas: interim housing, supportive housing, education and employment services, and healthy aging.

Interim Housing

The Sanctuary shelter accommodates up to 200 individuals 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 served 1,580 individuals between July 1, 2024 and June 30, 2025.

ECS operates shelters during the winter months (Winter Shelter) in collaboration with various government and religious organizations located in San Francisco, Marin, and Alameda counties. These shelters offer lodging and meals to homeless and at-risk individuals during winter months and periods of severe weather.

ECS's **Reentry Interim Housing** program provided short-term shelter and support services to individuals exiting incarceration. This program was closed in January 2025.

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

The **6th Street Homeless Property Program** was added during the year ended June 30, 2025 and can serve up to 600 clients at a time. Clients can store their property for up to six months in a clean, safe, and secure environment.

Supportive Housing

ECS provides **permanent supportive housing** and services to more than 2,000 individuals at 23 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, 2025

ECS is the sponsor of seven facilities, serving 103 units at **Canon Kip Community House (Canon Kip)**, 47 units for formerly homeless families at **Canon Barcus Community House (Canon Barcus)**, 134 units at **Bishop Swing Community House (Bishop Swing)**, 214 units at **Granada Hotel (Granada)**, 122 units at **Hotel Diva (Diva)**, 44 units at **The Arks in Greenbrae (Eliseo)**, and 46 units at **721 Airport LLC (Airport)**. The ownership structure for each facility is further explained in Note 2. 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), **The Post** (89 units), and **Casa Esperanza** (53 units).

ECS provides services for single adults at Mercy Housing California's buildings: 145 units at **The Tahanan**, 75 units at **The Rose**, units for 50 formerly homeless families at **1180 4th Street Apartments**, units for 100 single adults and 20 families at **600 7th Street**, 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..**

In 2023, ECS commenced planning for a potential permanent supportive housing site in San Mateo County. In July 2024, a \$500,000 predevelopment loan was obtained. Since the State of California subsequently did not allocate HomeKey 3.0 funding, the predevelopment loan was forgiven, and no further repayment obligations will arise. ECS terminated the project in fiscal year 2025 and is in the process of dissolving the entity ECS 1390 El Camino Real LLC as it is not operational.

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 8,387 people in the year ending June 30, 2025, placing 958 of those people into supportive housing.

ECS Behavioral Health provides mobile behavioral health services to San Francisco's and Marin'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, 2024 and June 30, 2025, 248 individuals were supported through ECS's Behavioral Health services.

Rapid Rehousing for CalWORKS Families serves families that need housing assistance in Marin County. The subsidy is available for up to two years for families compliant with their CalWORKS case plan.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Education and Employment Services

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.

The Conquering Homelessness through Employment in 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 served 83 individuals between July 1, 2024 and June 30, 2025.

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. CHEFS served 252,657 meals between July 1, 2024 and June 30, 2025.

ECS operates a Workforce program, **Realizing Employment and Careers in Human Services (“REACH”)** **Program** (formerly Supportive Services Sector Employment Training). REACH prepares participants for positions in social services including shelter monitor, housing navigator, case manager, activities coordinator, etc. REACH provided paid training and placement support to 104 participants between July 1, 2024 and June 30, 2025.

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. This program supported 838 participants between July 1, 2024 and June 30, 2025.

Note 2 - Summary of Significant Accounting Policies:

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, 2025

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidation of the individual financial statements of ECS and its affiliated entities, collectively known as the housing affiliates, which hold the projects, Canon Kip, Canon Barcus, Bishop Swing, Granada, Diva, Eliseo, Airport, and ECS Housing Corporation (EHC) a nonprofit supporting organization to ECS, sole member and manager of Granada and Diva. Canon Kip is the owner of Canon Kip Community House. Canon Barcus is the owner of Canon Barcus Community House. Bishop Swing 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 Canon Barcus, and of Canon Kip, Inc. (CKI), the managing general partner of Canon Kip. CBI holds a 0.1% equity interest in Canon Barcus and CKI holds a 0.01% equity interest in Canon Kip. 275 10th Street LLC (275 LLC), of which ECS is the sole member, serves as the general partner of Bishop Swing and holds a 0.01% interest in the partnership. EHC is the managing entity for Bishop Swing.

Non-controlling interests by affiliate are as follows as of June 30, 2025:

Canon Kip Associates II, L.P. (Canon Kip)	\$ 2,522,528
Canon Barcus Associates, L.P. (Canon Barcus)	(1,168,011)
275 10th Street Associates, L.P. (Bishop Swing)	(11,069,324)
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	\$ (9,714,807)

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.

Description of Net Assets

ECS reports information regarding its consolidated 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, 2025

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.

The ECS housing affiliate entities account for tenant leases as operating leases. ECS determines if a contract is a lease or contains a lease at inception. At the commencement of an operating lease, no income is recognized; subsequently, lease payments received are recognized on a straight-line basis. Rental revenue attributable to tenant leases is recorded when due from the residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. ECS develops an allowance for uncollectible tenant receivables based on historical and current conditions. Other income includes fees for late payments, cleaning, damages, laundry facilities, and other tenant charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

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 donated food, ECS estimated the fair value on the basis of wholesale values that would be received for selling similar products in the United States.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

For the year ended June 30, 2025, ECS recognized in-kind contributions of \$676,461 which were utilized in the following functional program areas:

Supportive housing	\$ 573,509
Fundraising activities	102,952
<hr/>	
	\$ 676,461

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 deferred revenue and contract advances in the Consolidated Statement of Financial Position. ECS has been awarded cost-reimbursable grants of approximately \$19,437,000, that have not been recognized at June 30, 2025, because qualifying expenditures have not yet been incurred. This amount consisted of \$1,211,000 of unspent costs due to these programs being closed prior to the end of the fiscal year as directed by the related contracting agencies. Approximately \$1,493,000 was unspent mostly due to contracting agencies' delays in finalizing contracts, \$16,700,000 was unspent due to reduced spending due to vacancies and operational expenses, and \$33,000 is scheduled to be carried over to the following fiscal year.

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 approximately \$13,003,000 at June 30, 2025 that represents funds subject to restrictions from other parties regarding the future use of such cash, tenant security deposits, replacement reserves, and operating reserves.

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 \$3,960,124 and are classified as Level 1, as defined below.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

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.

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. Leasehold improvements are amortized over the life of the lease or the useful life of the assets, whichever is shorter.

ECS and its affiliates review buildings and improvements for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the assets to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from the appraisal, discounted cash flow analysis, or other valuation technique. No impairment loss was recognized during the year ended June 30, 2025.

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.

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).

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Canon Kip Associates II, L.P. (CKAII) is a limited partnership that is controlled by Canon Kip Inc. (CKI), 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. (CBA) is a limited partnership that is controlled by Canon Barcus Inc. (CBI), 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. (275 LP) is a limited partnership that is controlled by 275 10th Street LLC, a single member limited liability company.

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

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

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

Eliseo is owned by 1251 S Eliseo LLC, a single member limited liability company that is controlled by ECS, its sole member and managing entity.

Airport is owned by 721 Airport LLC, a single member limited liability company that is controlled by ECS, its sole member and managing entity.

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 federal and state income taxes has been included in the consolidated financial statements.

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.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Leases

ECS determines whether an arrangement is or includes a lease and categorizes leases as either operating or finance leases at their commencement. ECS does not have any financing leases. ECS elected not to recognize right-of-use assets and lease liabilities for leases with a term of 12 months or less. Operating lease right-of-use assets represent ECS's right to use an underlying asset during the lease term and operating lease liabilities represent ECS's obligation to make payments arising from the lease. Operating leases are recorded in operating lease right-of-use assets and operating lease liabilities on the Consolidated Statement of Financial Position.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The discount rate used to derive the present value is based on the risk-free rate for the period comparable to the lease term. Renewal periods are included in calculating the right of use assets and liabilities when they are reasonably certain of exercise. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Use of Estimates

The preparation of consolidated 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.

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, 2024 from which the summarized information was derived.

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, 2025 through December 15, 2025, 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 4 and 6.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Note 3 - Grants and Contracts Receivable:

Grants and contracts receivable consist of the following at June 30, 2025:

Government contracts	\$ 12,277,752
Contributions receivable	51,100
Affiliate advances and receivables	446,785
Other	335,808
	<hr/>
	\$ 13,111,445

Grants and contracts receivable as of June 30, 2025 are expected to be collected in fiscal year ending 2026.

Note 4 - Fixed Assets:

Fixed assets at June 30, 2025 were as follows:

Land	\$ 73,994,665
Site improvements	975,784
Building and building improvements	123,802,330
Leasehold improvements	4,762,993
Furniture and equipment	3,748,159
Vehicles	176,784
Construction in progress	63,380,247
	<hr/>
	270,840,962
Less accumulated depreciation and amortization	(37,329,123)
	<hr/>
	\$233,511,839

Depreciation and amortization expense for the year ended June 30, 2025 was \$3,690,361.

Granada entered into construction and architectural design agreements with a combined remaining commitment of approximately \$3,473,000 as of June 30, 2025. Subsequent to year end, ECS paid approximately \$2,421,000 of the remaining commitment.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Note 5 - Line of Credit:

ECS maintains a line of credit agreement of \$10,000,000 with East West Bank, which is secured by ECS's grants and contracts receivable balances. Interest is payable monthly at the Wall Street Journal Prime Rate which ranged from 8.5% to 7.5% during the year ended June 30, 2025. The line of credit matures on March 25, 2026. The outstanding balance as of June 30, 2025 is \$10,000,000.

Note 6 - Notes Payable:

Notes payable at June 30, 2025 consisted of the following by entity:

Canon Kip	\$ 12,963,150
Canon Barcus	8,159,465
Bishop Swing	16,946,955
Granada	64,890,983
Diva	47,340,090
Eliseo	5,988,090
Airport	438,961
<hr/>	
Total	\$156,727,694

Interest payable consisted of the following at June 30, 2025:

Canon Kip	\$ 2,145,454
Canon Barcus	4,146,116
Bishop Swing	2,770,730
Eliseo	181,500
<hr/>	
Total	\$ 9,243,800

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Interest expense consisted of the following for the year ended June 30, 2025:

ECS	\$ 805,047
Canon Kip	321,304
Canon Barcus	242,999
Bishop Swing	210,912
Granada	13,690
Diva	1,851
Eliseo	180,000
<hr/>	
Total	\$ 1,775,803

ECS

In July 2025, ECS entered into a loan in the amount of \$2,739,243 that bears annual interest of 7.70% with a maturity date of June 1, 2026 from First Insurance Funding. The loan was taken out to pay for insurance related to ECS and its housing entities and is secured by an interest in these policies.

Canon Kip

The ECS Board of Directors appoints the members of the Board of Directors CKI. CKI is the managing General Partner of Canon Kip. CKI has a 0.01% ownership interest in Canon Kip. Until December 14, 2016, Canon Kip Associates, L.P. (CKA), a now dissolved entity, owned and operated Canon Kip, a 103-unit low-income housing tax credit, permanent supportive housing 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.

CKAII was formed as a limited partnership on February 12, 2016, to acquire, rehabilitate, own, and operate Canon Kip. The initial Limited Partner was ECS. CKA II received a preliminary allocation of low-income housing tax credits in June 2016. The tax credits will expire in 2026. 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 the Consolidated Financial Statements For the Year Ended June 30, 2025

CKA II is controlled by its General Partner, CKI. 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.

Canon Kip, 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 and Community Development (MOHCD), whereby the project receives rent subsidies for housing eligible low-income individuals in accordance with the MOHCD 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 MOHCD and was transferred to the partnership upon acquisition of the property.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Notes payable for Canon Kip are secured by the property and are due upon maturity unless otherwise indicated. For the year ended June 30, 2025, Canon Kip accrued interest of \$321,304 for a total outstanding accrued interest balance at year-end of \$2,145,454. Notes payable consisted of the following as of June 30, 2025:

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 55th 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, a division of First Citizens Bank (AHP) is non-interest bearing and is due and payable in 2074.	1,030,000
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 55th anniversary of the project's 'date of recordation' which is December 15, 2071.	3,000,000
Total	13,013,977
Less unamortized loan costs	(50,827)
Total - net of unamortized loan costs	\$ 12,963,150

Canon Barcus

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

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

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

ECS leases administrative and program facilities from Canon Barcus for \$1 per year and funded leasehold improvements to the facility.

Notes payable are secured by the property and assignment of rents and project income unless otherwise noted. Canon Barcus accrued interest expense of \$242,999 for the year ended June 30, 2025, for a total accrued interest balance at year-end of \$4,146,116. Notes payable consisted of the following at June 30, 2025:

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 6,178,892

Total	8,190,548
Less unamortized loan costs	(31,083)
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Total - net of unamortized loan costs	\$ 8,159,465

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Bishop Swing

ECS is the sponsor and developer of Bishop Swing, 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 LP. 275 LP 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 (SFRA).

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

275 LP holds long-term deferred payment loans from MOHCD, SFRA, and the California Department of Housing and Community Development (HCD).

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. In 2025, Enterprise withdrew from 275 LP and assigned its majority interest to incoming, limited partner, EHC. Tax credits are for 55 years and will expire in 2064.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Notes payable are secured by the property and are not due until maturity unless otherwise noted. 275 LP recorded accrued interest expense of \$210,912 for a total outstanding accrued interest balance at year-end of \$2,770,730. Notes payable consisted of the following at June 30, 2025:

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 \$1,900,379, is non-interest bearing and matures on June 27, 2060.	\$ 1,900,379
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.	2,891,404
Note payable to the Successor Agency to the San Francisco Redevelopment Agency, in the original amount of \$5,191,299, is non-interest bearing and matures November 27, 2067.	5,191,299
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.	<u>7,000,000</u>
Total	16,983,082
Less unamortized loan costs	(36,127)
Total - net of unamortized loan costs	\$ 16,946,955

Additionally, 275 LLC carries a note payable to First Citizens Bank (formerly 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. 275 LLC contributed these funds to 275 LP as a capital contribution in December 2008.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Granada

ECS is the sponsor and developer of Granada, a 214-unit permanent supportive housing project acquired through HCD Homekey Round 1. The project is held and operated by 1000 LLC. EHC is the sole member and manager of the LLC.

Granada entered into two loans, one for \$10,000,000 with the City and County of San Francisco (CCSF), administered by MOHCD,, 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 construction loan amount of \$37,185,184. The SFHAF loan was subsequently modified and extended twice, ultimately extending the maturity date and increasing the total loan amount to \$63,191,071. The first \$43,099,404 bears interest at 3.5% per annum and the \$20,097,667 bears interest at 5.5% per annum.

In August 2024, CCSF accepted assignment of the construction loan from SFHAF, and the loan will convert to permanent financing.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Notes payable are secured by executed Deed of Trust filed with the County. In April 2025, the construction loan was converted into a permanent loan, and all accrued interest was added to the loan balance. The permanent loan is non-interest bearing. These notes payable consist of the following at June 30, 2025:

Notes 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.	\$ 9,469,506
Note payable to the San Francisco Housing Accelerator Fund, with a letter of commitment from 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, with 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. On November 29, 2023, the note was extended to November 30, 2024. On April 1, 2024, the note was amended with a second modification to increase the limit to \$63,191,071. The \$20,091,667 tranche bears an interest rate of 5.5% per annum.	<u>55,421,477</u>
Total	64,890,983
Less unamortized permanent loan costs	<u>-</u>
<u>Total - net of unamortized permanent loan costs</u>	<u>\$ 64,890,983</u>

Diva

ECS is the sponsor and developer of Diva, a 128-unit hotel acquired through HCD Homekey Round 1 and CCSF funding, which converted to a 122-unit permanent supportive housing project for formerly homeless individuals. Construction was completed in August 2023. The project is held by 440 LLC, and EHC is the sole member and manager of the LLC.

Diva entered into a construction loan for \$32,000,000 with SFHAF and utilized \$26,429,235 for acquisition costs. ECS also entered a Repayment Guaranty, Completion Guaranty and Environment Indemnity Agreement with SFHAF as part of the loan agreement. The loan was amended to increase the maximum loan amount to \$47,386,810 and extend the maturity date.

On December 26, 2023, the construction loan converted to permanent financing with the City and County of San Francisco's Our City, Our Home program. The loan is non-interest-bearing and subject to repayment through residual receipts.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

The notes are secured by executed Deed of Trust filed with the county. These notes payable consisted of the following at June 30, 2025:

Note payable to the City and County of San Francisco Mayor's Office of Housing and Community Development for the amount of \$47,386,810, bearing interest at 0.0% per annum. Payments are made from residual receipts until maturity date of December 26, 2078.	\$ 47,386,810
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Total	47,386,810
Less unamortized permanent loan costs	(46,720)
 Total - net of unamortized permanent loan costs	 \$ 47,340,090

Eliseo

ECS is the sponsor and developer of Eliseo, a 44-unit permanent supportive housing project for chronically homeless individuals, which was acquired through HCD Homekey Round 2, and completed construction in September 2023. The project is located at 1251 South Eliseo Drive, Greenbrae, California and is also known to the community as the Arks in Greenbrae. Lease-up began in October 2023 and full occupancy was achieved in November 2023. The project is held by 1251 LLC, and ECS is the sole member and manager of the LLC.

Eliseo through ECS and the County of Marin was awarded \$6,000,000 from HCD's No Place Like Home (NPLH) program, which was made available to the County of Marin after construction completion and the project assumed permanent financing. Eliseo completed the permanent loan conversion with HCD on June 28, 2024.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

The note payable is secured by the deed of trust and is not due until maturity unless otherwise noted. Eliseo recorded accrued interest expense of \$180,000 for June 30, 2025, for a total outstanding accrued interest balance at year-end of \$181,500. The note payable consisted of the following at June 30, 2025:

Note payable to the California Department of Housing and Community Development for No Place Like Home program in the original amount of \$6,000,000, bearing interest of 3% per annum through maturity on June 27, 2079 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.

\$ 6,000,000

Total	<u>6,000,000</u>
Less unamortized permanent loan costs	<u>(11,910)</u>
<u>Total - net of unamortized permanent loan costs</u>	<u>\$ 5,988,090</u>

Airport

In 2023, ECS created a new entity, Airport, to apply for Homekey Round 3 funding in order to acquire, rehabilitate, and operate a potential permanent supportive housing site located in South San Francisco, California. The site has a four story building which will have 46 units once renovation is complete. In April 2024, San Mateo County approved a resolution to subsidize \$18,850,000 in capital costs related to the project. In August 2024, a \$500,000 predevelopment loan was approved with a maturity date of December 31, 2025.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

These notes payable consisted of the following at June 30, 2025:

San Mateo County loaned 721 Airport up to \$500,000 for eligible predevelopment costs. Eligible costs must be reasonable and necessary costs for items prior to construction. The cost incurred in pre-development should be used for pre-development cost to establish the Property and develop affordable housing on the Property. Period of the agreement is effective July 11, 2023, and will expire on December 31, 2025. The agreement may be extended if both parties agree. The principal amount of the Predevelopment Loan is \$500,000.00. This is a no interest bearing and no interest shall accrue on the outstanding principal balance. Borrower's obligation to repay the Predevelopment Loan shall be evidenced by this Agreement which constitutes a Promissory Note (the "Note") in favor of the County. Borrower shall have the right to prepay all or any portion of the Predevelopment Loan, plus accrued \$ 500,000

Total	500,000
Less unamortized permanent loan costs	<u>(61,039)</u>
 Total - net of unamortized permanent loan costs	 <u>\$ 438,961</u>

Note 7 - Net Assets with Donor Restrictions:

Net assets with donor restrictions were as follows as of June 30, 2025:

Interim housing	\$ 26,319
Supportive housing	555,915
Education and employment services	322,581
Time restriction	664,282
 	 <u>\$ 1,569,097</u>

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Net assets released from restrictions during the year ended June 30, 2025 were as follows:

Interim housing	\$ 83,484
Supportive housing	7,378,607
Education and employment services	481,980
Healthy aging	61,686
Time restriction	1,350,000
	<hr/>
	\$ 9,355,757

Note 8 - Availability of Financial Assets and Liquidity:

ECS's financial assets available within one year of June 30, 2025 for general expenditures were as follows:

Financial assets at year end:

Cash and cash equivalents	\$ 18,854,491
Grants and contracts receivable	13,111,445
Affiliate and rent receivables	3,483,476
Investments	3,960,124
<hr/>	
Total financial assets	39,409,536

Less amounts not available to be used within one year:

Restricted cash	(13,002,667)
Cash restricted for use by the affiliates	(2,755,055)
Net assets with donor restrictions	(1,569,097)
Board-designated net assets	(259,428)
Add net assets with purpose restrictions to be met in less than one year	904,815
<hr/>	
	(16,681,432)

Financial assets available to meet general expenditures over the next
twelve months

\$ 22,728,104

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

ECS's working capital and cash flows have seasonal variations during the year primarily 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.

Note 9 - Affiliated Organization:

1064 Mission

ECS assisted with the creation of 1064 Mission, LP (1064 LP), a limited partnership established in San Francisco. 1064 LP'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 was one of the project sponsors that collaborated on the housing development of 1064-1068 Mission Permanent Supportive Housing (1064 Mission).

As of June 30, 2025, 1064 Mission is not considered part of ECS's consolidated reporting because ECS does not have both control and an economic interest in 1064 LP. Control is construed to mean majority control of 1064 LP through voting interest. Economic interest indicates either residual interest in 1064 LP or some form of material financial support.

ECS's investment in the partnership of \$2,641,708 as of June 30, 2025 is recorded as Investment in affiliates on the Consolidated Statement of Financial Position. Total assets of 1064 Mission were approximately \$131,000,000 and total liabilities were approximately \$81,000,000 according to 1064 Mission's unaudited financial statements as of June 30, 2025. The liabilities balance includes an amount payable to ECS of \$201,500, which represents developer fees not yet earned from the construction project through June 30, 2025. The remaining \$201,500 will be earned when Form 8609 is issued and paid with the limited partner's fifth equity installment.

The managing general partner, 1064 Mission LLC (1064 LLC), is required to provide funds to 1064 LP 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 the managing general partner. On September 13, 2023, the Chase construction loan was fully paid off during the conversion to permanent financing. Outstanding loans of 1064 Mission as of June 30, 2025, which are payable to the City and County of San Francisco (two loans), and Century Housing Corporation through the Federal Home Loan Bank AHP Program, were \$46,622,145, \$27,769,645, and \$1,500,000, respectively.

In 2025, the Low-Income Housing Credit Allocation and Certification was received and executed. Management anticipates that the limited partner will make the final equity installment payment of \$403,000 before June 30, 2026. Upon receipt of the installment, the co-general partner intends to withdraw from 1064 LP and assign its interest to 1064 LLC.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

Note 10 - Leases:

ECS has 13 non-cancellable operating leases for certain of its facilities through April 1, 2035 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 1, 2029.

Future undiscounted cash flows were as follows:

Year ending June 30,	
2026	\$ 8,535,962
2027	7,621,546
2028	6,734,933
2029	6,673,650
2030	6,647,611
Thereafter	16,746,425
 Total lease payments	52,960,127
Less discount to present value	(7,260,306)
 Present value of lease liabilities	 \$ 45,699,821

Rental expense for the year ended June 30, 2025 was \$9,362,443.

The weighted average remaining lease term as of June 30, 2025 was approximately 7.53 years. The weighted average discount rate as of June 30, 2025 was 3.87%.

Note 11 - Commitments and Contingencies:

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.

Episcopal Community Services of San Francisco

Notes to the Consolidated Financial Statements For the Year Ended June 30, 2025

ECS has provided certain guarantees in conjunction with its relationships with Canon Kip, Canon Barcus, Bishop Swing, Granada, Diva, 1064 Mission, and Eliseo. There are no guarantees for Airport. These guarantees include construction completion, loan repayments, funding of operating deficit, and funding of any tax credit recapture. 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

From time to time, ECS is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its business activities. In the opinion of management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of ECS in connection with its legal proceedings is expected not to have a material adverse effect on ECS's consolidated financial position or consolidated net assets.

Note 12 - 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 \$876,814 for the year ended June 30, 2025.

Note 13 - 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 \$16,629,000 at June 30, 2025. Grants and contracts receivable represent unsecured amounts due from federal, state, and local governmental agencies.

Episcopal Community Services of San Francisco and Affiliates

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

June 30, 2025

	ECS	Canon Kip	Canon Barcus	Bishop Swing	Granada	Diva	Eliseo	Airport	Eliminations	2025 Consolidated
Assets:										
Cash and cash equivalents	\$ 3,096,769	\$ 3,681,700	\$ 1,825,386	\$ 1,825,520	\$ 4,319,830	\$ 2,646,817	\$ 1,258,647	\$ 199,822		\$ 18,854,491
Grants and contracts receivable	12,155,035	117,515	29,588	95,738	191,513	521,621	435			13,111,445
Affiliate and rent receivables	3,536,074	1,213,538	412,508	485,749	336,843	185,814	499,959		\$ (3,187,009)	3,483,476
Investments	3,960,124									3,960,124
Prepaid expenses and other assets	1,394,987	36,447	5,422	2,790	238,738	12,214				1,690,598
Fixed assets, net	2,175,509	13,756,622	9,313,779	7,556,129	108,304,333	66,497,780	25,644,182	263,505		233,511,839
Investment in affiliates	2,641,708									2,641,708
Operating lease right-of-use assets	45,119,750									45,119,750
Total assets	\$ 74,079,956	\$ 18,805,822	\$ 11,586,683	\$ 9,965,926	\$ 113,391,257	\$ 69,864,246	27,403,223	\$ 463,327	\$ (3,187,009)	\$ 322,373,431
Liabilities:										
Accounts payable and accrued expenses	\$ 6,073,163	\$ 660,012	\$ 269,392	\$ 832,380	\$ 2,921,190	\$ 565,850	\$ 169,824	\$ 24,366	\$ (1,296,754)	\$ 10,219,423
Affiliate payables	207,653	461,033	61,699	437,261	65,513	419,291	237,805		(1,890,255)	-
Line of credit	10,000,000									10,000,000
Deferred revenue and contract advances	1,304,787	11,755	99,850	21,020	3,483,743	2,244,179	486,479			7,651,813
Notes payable, net		12,963,150	8,159,465	16,946,955	64,890,983	47,340,090	5,988,090	438,961		156,727,694
Accrued interest on notes payable		2,145,454	4,146,116	2,770,730			181,500			9,243,800
Tenant security deposits		41,890	18,172	26,904	1,889	44,413	8,195			141,463
Operating lease liabilities	45,699,821									45,699,821
Total liabilities	63,285,424	16,283,294	12,754,694	21,035,250	71,363,318	50,613,823	7,071,893	463,327	(3,187,009)	239,684,014
Net Assets:										
Without donor restrictions:										
Undesignated	8,966,007									8,966,007
Board designated	259,428									259,428
Affiliated entities (Note 2)		2,522,528	(1,168,011)	(11,069,324)	42,027,939	19,250,423	20,331,330		9,714,807	81,609,692
Non-controlling interests (Note 2)									(9,714,807)	(9,714,807)
Total net assets without donor restrictions	9,225,435	2,522,528	(1,168,011)	(11,069,324)	42,027,939	19,250,423	20,331,330	-	-	81,120,320
With donor restrictions	1,569,097									1,569,097
Total net assets	10,794,532	2,522,528	(1,168,011)	(11,069,324)	42,027,939	19,250,423	20,331,330	-	-	82,689,417
Total liabilities and net assets	\$ 74,079,956	\$ 18,805,822	\$ 11,586,683	\$ 9,965,926	\$ 113,391,257	\$ 69,864,246	\$ 27,403,223	\$ 463,327	\$ (3,187,009)	\$ 322,373,431

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, 2025

	ECS												Total
	Without Donor Restrictions	With Donor Restrictions	Total	Canon Kip	Canon Barcus	Bishop Swing	Granada	Diva	Eliseo	Airport	Eliminations		
Support and Revenue:													
Contributions and foundation grants	\$ 2,409,745	\$ 1,170,720	\$ 3,580,465										\$ 3,580,465
Bequest and trust revenue		86,643	86,643										86,643
Contributions, gifts-in-kind	676,461		676,461										676,461
Government grants and contracts	60,019,540		60,019,540										60,019,540
Rental income	2,032,002		2,032,002	\$ 2,178,409	\$ 2,100,160	\$ 2,157,542	\$ 5,146,168	\$ 1,470,938	\$ 1,378,442	\$ -	\$ (959,097)		15,504,564
Other program income	698,251		698,251		444	88		10,895	28,206	1,141			698,251
Interest income	178,232		178,232										219,006
Other income	262,128		262,128	48,788	106,549	23,097	52,326	33,225	24,426				550,539
Release of donor restrictions	9,355,757	(9,355,757)	-										-
Total support and revenue	75,632,116	(8,098,394)	67,533,722	2,227,641	2,206,797	2,180,639	5,209,389	1,532,369	1,404,009	-	(959,097)		81,335,469
Expenses:													
Program services	60,692,229		60,692,229	3,382,100	2,636,071	2,721,853	3,885,896	4,113,277	2,122,614		(959,097)		78,594,943
Supporting services	12,138,756		12,138,756										12,138,756
Total operating expense	72,830,985	-	72,830,985	3,382,100	2,636,071	2,721,853	3,885,896	4,113,277	2,122,614	-	(959,097)		90,733,699
Change in Net Assets	2,801,131	(8,098,394)	(5,297,263)	(1,154,459)	(429,274)	(541,214)	1,323,493	(2,580,908)	(718,605)	-	-		(9,398,230)
Net Assets, Beginning of year	6,424,304	9,667,491	16,091,795	3,676,987	(738,737)	(10,528,110)	40,704,446	21,831,331	21,049,935				92,087,647
Net Assets, End of year	\$ 9,225,435	\$ 1,569,097	\$ 10,794,532	\$ 2,522,528	\$ (1,168,011)	\$ (11,069,324)	\$ 42,027,939	\$ 19,250,423	\$ 20,331,330	\$ -	\$ -		\$ 82,689,417