

**Episcopal Charities and Community Services  
Audit Report  
For the Year Ended December 31, 2021**

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# Selden Fox

Accounting for your future

619 Enterprise Drive | Oak Brook, Illinois 60523 | [www.seldenfox.com](http://www.seldenfox.com)  
p 630.954.1400 | f 630.954.1327 | [email@seldenfox.com](mailto:email@seldenfox.com)

## INDEPENDENT AUDITOR'S REPORT

Episcopal Charities and Community Services  
Board of Trustees  
65 East Huron Street  
Chicago, Illinois

### Opinion

We have audited the accompanying financial statements of **Episcopal Charities and Community Services**, a not-for-profit corporation controlled by The Diocese of Chicago ("Episcopal Charities"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Charities as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Charities 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Charities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Episcopal Charities' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Charities' 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 the Episcopal Charities' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Information Included in the Entity's Annual Report**

Management is responsible for the other information included in Episcopal Charities' annual report. The other information comprises unaudited financial information and a narrative of the entity's achievements, but it does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Selden Fox, Ltd.*

June 22, 2022

**Episcopal Charities and Community Services**  
**Statement of Financial Position**  
**December 31, 2021**  
(With Comparative Totals for 2020)

	2021	2020
<b>Assets</b>		
Cash	<b>\$ 317,598</b>	\$ 346,483
Funds deposited pending purchase of Diocesan Foundation participation units	<b>934</b>	910
Receivables:		
Notes receivable	<b>102,556</b>	101,864
Other	<b>9,674</b>	18,980
<b>Total receivables</b>	<b>112,230</b>	120,844
Prepaid expenses	<b>14,514</b>	419
Investments (Note 4)	<b>15,589,667</b>	14,045,773
<b>Total assets</b>	<b>\$ 16,034,943</b>	\$ 14,514,429
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable:		
The Diocese of Chicago, Administrative and Program Fund	<b>\$ -</b>	\$ 14,215
Other	<b>27,158</b>	11,782
Accrued vacation	<b>6,119</b>	244
Paycheck Protection Program Loan	<b>-</b>	50,128
<b>Total liabilities</b>	<b>33,277</b>	76,369
Net assets:		
Without donor restrictions	<b>13,964,758</b>	12,668,914
With donor restrictions	<b>2,036,908</b>	1,769,146
<b>Total net assets</b>	<b>16,001,666</b>	14,438,060
<b>Total liabilities and net assets</b>	<b>\$ 16,034,943</b>	\$ 14,514,429

See accompanying notes.

**Episcopal Charities and Community Services**  
**Statement of Activities**  
**For the Year Ended December 31, 2021**  
(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions:				
Parish and mission	\$ 10,067	\$ -	\$ 10,067	\$ 6,800
Episcopal Churchwomen Corporations	5,000	-	5,000	5,000
In-kind donations - professional services	5,000	-	5,000	10,106
Individuals	3,325	-	3,325	2,425
Bequests	329,110	-	329,110	115,666
	346,669	-	346,669	304,637
	<u>699,171</u>	<u>-</u>	<u>699,171</u>	<u>444,634</u>
Episcopal Charities' dinner, not held in 2021 but incurred event space and entertainment expense of \$23,193 and event coordination expense of \$25,632 (event held in 2020 and net of \$17,980 and \$51,823, respectively)	<u>(48,825)</u>	<u>-</u>	<u>(48,825)</u>	<u>226,050</u>
Investment activity:				
Interest and dividends, net of direct expenses	199,757	28,491	228,248	215,533
Gain on investments (Note 4)	1,576,670	239,271	1,815,941	1,343,019
	<u>1,776,427</u>	<u>267,762</u>	<u>2,044,189</u>	<u>1,558,552</u>
Gain on extinguishment - SBA Paycheck Protection Program loan	<u>50,128</u>	<u>-</u>	<u>50,128</u>	<u>-</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,476,901</u>	<u>267,762</u>	<u>2,744,663</u>	<u>2,229,236</u>
Expenses:				
Program services and grants:				
Salaries and employee benefits	109,547	-	109,547	65,243
Allocations	508,600	-	508,600	450,510
Capacity building	5,900	-	5,900	-
	<u>624,047</u>	<u>-</u>	<u>624,047</u>	<u>515,753</u>

(cont'd)

**Episcopal Charities and Community Services**  
**Statement of Activities** (cont'd)  
**For the Year Ended December 31, 2021**  
(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Administration:				
Salaries and employee benefits	\$ 197,627	\$ -	\$ 197,627	\$ 169,603
Travel	16,969	-	16,969	9,982
Supplies	-	-	-	180
Insurance	9,585	-	9,585	9,084
Bad debt expense	-	-	-	25,000
Professional services	13,437	-	13,437	36,351
Professional in-kind services	2,425	-	2,425	2,425
Consultants	88,072	-	88,072	62,996
Bank fees	283	-	283	10,895
Conferences and meetings	1,427	-	1,427	2,612
Miscellaneous	10	-	10	-
Computer	19,783	-	19,783	18,952
Communications	30,072	-	30,072	28,882
Contribution to The Diocese of Chicago, Administrative and Program Fund	28,000	-	28,000	28,000
Fund-raising:				
Salaries and employee benefits	149,109	-	149,109	108,683
Membership and subscriptions	211	-	211	683
	<u>557,010</u>	<u>-</u>	<u>557,010</u>	<u>514,328</u>
<b>Total expenses</b>	<u>1,181,057</u>	<u>-</u>	<u>1,181,057</u>	<u>1,030,081</u>
<b>Change in net assets</b>	<u>1,295,844</u>	<u>267,762</u>	<u>1,563,606</u>	<u>1,199,155</u>
Net assets, beginning of the year	<u>12,668,914</u>	<u>1,769,146</u>	<u>14,438,060</u>	<u>13,238,905</u>
Net assets, end of the year	<u>\$ 13,964,758</u>	<u>\$ 2,036,908</u>	<u>\$ 16,001,666</u>	<u>\$ 14,438,060</u>

See accompanying notes.

**Episcopal Charities and Community Services**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2021**  
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Contributions received	\$ 361,808	\$ 158,734
Interest and dividends received	227,556	214,280
Bequests received	346,669	304,637
Charities' dinner receipts less costs	(48,825)	226,050
Payments to Diocesan social agencies, churches and others	(514,500)	(450,510)
Payments to suppliers and employees	(673,616)	(547,077)
<b>Net cash from (to) operating activities</b>	<b>(300,908)</b>	<b>(93,886)</b>
Cash flows from investing activities:		
Purchase of investments	(1,869,633)	(4,560,117)
Sale of investments	2,141,680	4,951,247
Funds deposited pending purchase of Diocesan Foundation participation units	(24)	(411)
Advance of note receivable	-	(100,000)
Payments received on notes receivable	-	50,000
<b>Net cash from investing activities</b>	<b>272,023</b>	<b>340,719</b>
Cash flows from financing activities - proceeds from Paycheck Protection Program loan	-	50,128
<b>Net cash from financing activities</b>	<b>-</b>	<b>50,128</b>
<b>Net change in cash</b>	<b>(28,885)</b>	<b>296,961</b>
Cash, beginning of the year	346,483	49,522
Cash, end of the year	<b>\$ 317,598</b>	<b>\$ 346,483</b>
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 1,563,606	\$ 1,199,155
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain on investments	(1,815,941)	(1,343,019)
Bad debt expense	-	25,000
Gain on extinguishment of SBA - Paycheck Protection Program loan	(50,128)	-
Cash from other operating activities:		
Receivables	8,614	17,484
Prepaid expenses	(14,095)	9,230
Liabilities	7,036	(1,736)
<b>Net cash from (to) operating activities</b>	<b>\$ (300,908)</b>	<b>\$ (93,886)</b>
Supplementary disclosure of noncash financing activities:		
Extinguishment of Paycheck Protection Program loan	\$ 50,128	\$ -

See accompanying notes.



## Episcopal Charities and Community Services Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Organization and Purpose** – Episcopal Charities and Community Services (“Episcopal Charities”) is organized as a not-for-profit corporation under the General Not-for-Profit Corporation Act of the State of Illinois. In March 2021, Episcopal Charities and Community Services elected to adopt the assumed corporate name Episcopal Charities. Its purpose is to provide financial and technical support, and otherwise to assist and expand the social welfare work of The Diocese of Chicago; to collect and furnish funds for the support of the present and future charitable agencies in the Episcopal Diocese of Chicago and such other charitable objectives as the Episcopal Bishop of Chicago shall determine; to receive, administer, distribute and expend funds, gifts, donations, bequests and other receipts of money or property of every kind and nature for the corporate objectives and purposes, all under the supervision and subject to the approval of the Episcopal Bishop of Chicago.

**General** – These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Episcopal Charities as a whole, to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets and transactions as either net assets without donor restrictions or net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions of assets other than cash and contributed services are recorded at their estimated fair value.

**Use of Estimates** – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities and changes in net assets at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

Significant estimates used in the preparation of these financial statements include recording investments at fair value and recording notes receivable at face value, with no allowance for losses as of December 31, 2021 and 2020. The ultimate realization of the investments and notes receivable is based upon future economic factors. It is reasonably possible that the recorded amounts or related disclosures could significantly change in the near future as new information is available.

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Uninsured Deposits** – Included in cash are uninsured deposits of \$88,243 at December 31, 2021, and may exceed federal deposit insurance limits from time to time.

**Investments** – Investments are carried at fair value, with changes in fair value recognized in net assets each period. Episcopal Charities makes estimates regarding valuation of assets measured at fair value in preparing the financial statements. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

**Accrued Vacation** – Policy requires all employees to take earned vacation prior to the end of the year; however, up to ten days may be carried over to the next year with supervisory approval. Accumulated unpaid vacation is accrued when earned by employees.

**Paycheck Protection Program Loan** – In May 2020, Episcopal Charities received \$50,128 of proceeds in the form of a potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA). The loan and accrued interest are forgivable after an 8-week or a maximum 24-week timeframe beginning on the date of receipt of loan proceeds, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, maintaining payroll levels on an employee-by-employee basis, and maintaining headcount, all within PPP parameters. As of December 31, 2020, the entire loan was recorded as a liability under the guidance in ASC 470. Episcopal Charities filed to have the loan forgiven in December 2020. Episcopal Charities was notified their forgiveness application was approved in January 2021, and the entire \$50,128 loan was forgiven. This loan forgiveness is recognized as a gain on extinguishment during the year ended December 31, 2021.

**Income Taxes** – Episcopal Charities is a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code. Episcopal Charities is exempt from income taxes, except to the extent of any unrelated business income. There was no unrelated business income for the years ended December 31, 2021 and 2020. Accordingly, no provision for income tax is included in the financial statements. Episcopal Charities is not required to file federal, state, or local tax returns but is subject to examination by those taxing authorities.

**Concentration** – In 2021, one donor contributed \$300,000, which is 43% of contribution revenue (same donor contributed \$250,000 in 2020, which was 56% of contribution revenue).

**Contributions** – Episcopal Charities received contributions in the form of professional services of \$3,325 in 2021 (\$2,425 in 2020). The amount is recognized as professional services revenue (in-kind donation) and expense.

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Functional Allocation of Expenses** – Expenses have been summarized by function and nature on the statement of activities. The only expenses that need to be allocated among more than one program or supporting function are salaries and employee benefits. These amounts have been allocated based on estimates of time and effort incurred by each employee.

**Subsequent Events** – Subsequent events have been evaluated through June 22, 2022, which is the date the financial statements were available to be issued.

**2. Fair Value Measurements**

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.

Fair value is categorized in three levels based on the reliability of observable inputs as follows:

**Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**Level 2** – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

**Level 3** – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

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**2. Fair Value Measurements (cont'd)**

Following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Money market funds and mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

Diocesan Foundation participant units are pooled funds available to organizations affiliated with the Protestant Episcopal Church functioning within the Episcopal Diocese of Chicago. Investors contribute funds that are invested and managed in exchange for units, which reflect a pro-rata share of the fund's net assets. The underlying investments of the funds are cash and publicly traded mutual funds. Units of the fund can be redeemed at scheduled valuations, which are performed quarterly. Accordingly, these assets are categorized in Level 2 of the fair value hierarchy.

Investments measured at fair value are subject to various risks, including interest rate, market, and credit risks. Due to these risks, it is at least reasonably possible that subsequent changes to the value of individual investments may occur and materially affect the fair value of investments and net assets reported on the statement of financial position.

The underlying investments of the Diocesan Foundation participant units are invested as follows at December 31:

	<u>2021</u>		<u>2020</u>	
Cash and money market funds	<b>1.39</b>	%	0.91	%
Intermediate-term bond mutual funds	<b>9.49</b>	%	24.02	%
Short-term bond mutual funds	<b>18.49</b>	%	11.20	%
Equity blend mutual funds	<b>70.63</b>	%	63.87	%

**3. Notes Receivable**

During 2019, Episcopal Charities advanced \$50,000 to, and received a note receivable from, the Cathedral Counseling Center ("CCC"). An additional \$50,000 was advanced to CCC in March 2020. Interest accrues monthly at 4%. At December 31, 2021, the notes had a balance of \$102,556, which includes accrued interest totaling \$2,556. At December 31, 2020, the notes had a balance of \$101,273, which included accrued interest totaling \$1,273. During the year ended December 31, 2021, an interest payment of \$2,773 was made (\$3,000 paid in 2020). Both notes mature in June 2022. Management is currently negotiating an extension of the maturity of these notes.

During March 2020, Episcopal Charities advanced \$50,000 to, and received a note receivable from, ReVive. Interest accrued monthly at 4%. Principal on the note receivable totaling \$50,000 was repaid during 2020. At December 31, 2020, the note had a balance of \$591, which was entirely accrued interest. This accrued interest was paid during 2021.

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

**4. Investments**

The Board of Trustees of Episcopal Charities assumes the responsibility for establishing the investment policy that is to guide the investment of Episcopal Charities' assets. The Board of Trustees has adopted the following investment guidelines:

	Minimum	Maximum	Actual at December 31, 2021
Allocation of assets:			
U.S. equities	40%	75%	56.3%
Non-U.S. equities	0%	20%	4.9%
Total equities	40%	80%	61.2%
Fixed income	25%	60%	38.8%

The investment managers appointed to execute the policy invest Episcopal Charities' assets in accordance with the policy and their judgments concerning relative investment values. In particular, the investment managers are accorded full discretion, within policy limits, to: (1) select individual securities, (2) adjust the maturity mix, where applicable, and (3) diversify their portfolios. The Trustees have the responsibility to monitor the investment managers on an ongoing basis and to add, replace or eliminate managers when it is deemed appropriate to do so. Fair value of investments measured on a recurring basis and their categorization in the fair value hierarchy at December 31, 2021, are as follows:

	Level 1	Level 2	Level 3	Total
Diocesan Foundation participation units	\$ -	\$ 142,828	\$ -	\$ 142,828
Vanguard Federal Money Market (VMFXX)	633,305	-	-	633,305
Mutual funds:				
Baird Core Plus Bond Instl (BCOIX)	2,599,096	-	-	2,599,096
BBH Limited Duration Fund (BBBIX)	806,885	-	-	806,885
PIMCO Total Return Instl (PTTRX)	1,149,948	-	-	1,149,948
Vanguard Short-Term Bond Index Admiral (VBRIX)	800,265	-	-	800,265
Vanguard Total International Stock Index Admiral (VTIAX)	752,505	-	-	752,505
Vanguard Total Stock Market Index Inst (VITSX)	8,692,835	-	-	8,692,835
	\$ 15,434,839	\$ 142,828	\$ -	15,577,667
Eaton Vance and Belmar Capital Fund, L.L.C.				12,000
				\$ 15,589,667

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

**4. Investments (cont'd)**

Fair value of investments measured on a recurring basis and their categorization in the fair value hierarchy at December 31, 2020, are as follows:

	Level 1	Level 2	Level 3	Total
Diocesan Foundation participation units	\$ -	\$ 126,115	\$ -	\$ 126,115
Vanguard Federal Money Market (VMFXX)	633,259	-	-	633,259
Mutual funds:				
Baird Core Plus Bond Instl (BCOIX)	2,876,230	-	-	2,876,230
PIMCO Total Return Instl (PTTRX)	1,249,628	-	-	1,249,628
Vanguard Total International Stock Index Admiral (VTIAX)	692,755	-	-	692,755
Vanguard Total Stock Market Index Inst (VITSX)	8,455,786	-	-	8,455,786
	\$ 13,907,658	\$ 126,115	\$ -	14,033,773
Eaton Vance and Belmar Capital Fund, L.L.C.				12,000
				\$ 14,045,773

Episcopal Charities' investment of \$12,000 at December 31, 2021 and 2020 in the Eaton Vance and Belmar Capital Fund, L.L.C. are preferred stock shares recorded at liquidation value. The preferred stock owned is not traded on a public market and is subject to substantial restrictions on transfer. The liquidation value of the stock will be paid by the issuer upon receipt of the shares.

The net gain on investments was \$1,815,941 in 2021 (\$1,343,019 in 2020).

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

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**5. Restrictions and Limitations on Net Assets**

Net assets with donor restrictions, consisting of funds to be used for Episcopal Charities' mission, are the following at December 31:

	2021	2020
Original corpus of gifts to be held in perpetuity	\$ 816,700	\$ 816,700
Unexpended income from gifts to be held in perpetuity	1,220,208	952,446
	\$ 2,036,908	\$ 1,769,146

**6. Endowments**

Episcopal Charities' endowment consists of three donor-restricted funds established to provide income to support the general operations of Episcopal Charities. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the corpus of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Episcopal Charities classifies the corpus of the original gifts as net assets with donor restrictions. Unexpended income from the endowment, including dividends, interest, gains, and losses is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Episcopal Charities in a manner consistent with the standard of prudence prescribed by UPMIFA.

Episcopal Charities has adopted investment and spending policies for endowment assets that attempt to provide a long-term total rate of return sufficient to fund distributions to Diocesan social agencies, and others and to grow the value of the corpus of the endowment annually by at least the annual rate of inflation. These return objectives are to be sought without incurring a level of rate-of-return volatility materially greater than that generally associated with endowment investment programs. Actual performance of the endowment investments in any given year may vary from the return objectives of the endowment enumerated above.

To satisfy the long-term rate-of-return objectives, Episcopal Charities relies on a total rate return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Episcopal Charities targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

**6. Endowments (cont'd)**

Episcopal Charities generally appropriates 4 - 6% of the average market value of the endowment over a 36-month moving average period, as agreed upon by the Board of Trustees. The following is a reconciliation of the changes in donor-restricted endowments for the years ended December 31:

	With Donor Restrictions
Endowment net assets, December 31, 2019	\$ 1,555,432
Investment return:	
Interest and dividends	26,557
Gains	177,157
Contributions	10,000
Appropriation of endowment assets for expenditure	-
Endowment net assets, December 31, 2020	1,769,146
Investment return:	
Interest and dividends	28,491
Gains	239,271
Contributions	-
Appropriation of endowment assets for expenditure	-
<b>Endowment net assets, December 31, 2021</b>	<b>\$ 2,036,908</b>

**7. Availability and Liquidity**

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following:

	2021	2020
Cash	\$ 317,598	\$ 346,483
Notes receivable	102,556	101,864
Other receivables	9,674	18,980
Investments and funds held pending purchase of Diocesan Foundation participation units	15,590,601	14,046,683
Less:		
Investments that are the underlying assets of Episcopal Charities' donor-restricted endowment funds (Note 6)	(2,036,908)	(1,769,146)
Investments in Eaton Vance and Belmar Capital Fund, L.L.C. (Note 4)	(12,000)	(12,000)
	<b>\$ 13,971,521</b>	<b>\$ 12,732,864</b>



**Episcopal Charities and Community Services**  
**Notes to the Financial Statements (cont'd)**

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**7. Availability and Liquidity (cont'd)**

The organization relies on contributions, investment income, and an annual fund-raising dinner to cover operating expenses each year. Contributions received may or may not have donor restrictions that require resources to be used in a particular manner.

Of the amount shown as investments above, \$143,762 is held at the Diocesan Foundation at December 31, 2021 (\$127,025 at December 31, 2020). Investments held at the Diocesan Foundation can be redeemed to satisfy cash needs of Episcopal Charities, however, these redemptions are only allowed quarterly. Generally, it is the intent of Episcopal Charities to use investment earnings to fund its recurring expenses and allocations.

**8. Retirement Plan**

Episcopal Charities participates in a multi-employer 403(b) defined contribution plan for eligible lay employees that is a church plan and not subject to the terms of the Employment Retirement Income Security Act of 1974 (ERISA). Episcopal Charities provides a contribution of 9% of eligible wages. Expense related to the contributions was \$30,209 in 2021 (\$21,819 in 2020).

**9. Related Party**

Episcopal Charities reimburses the Administrative and Program Fund of The Diocese of Chicago for financial and administrative services provided and building use. The reimbursement was \$28,000 in 2021 and 2020.

**10. Uncertainties**

The COVID-19 outbreak in the United States has caused business disruption, including cancellation of fund-raising events as noted on the statement of activities. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption and impact on the economy. The related financial impact and duration cannot be reasonably estimated at this time.

**11. Comparative Prior Year Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Episcopal Charities' financial statements for the year ended December 31, 2020, from which the summarized information was derived.

# Selden Fox

Accounting for your future

619 Enterprise Drive | Oak Brook, Illinois 60523 | [www.seldenfox.com](http://www.seldenfox.com)  
p 630.954.1400 | f 630.954.1327 | [email@seldenfox.com](mailto:email@seldenfox.com)

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Episcopal Charities and Community Services  
Board of Trustees  
65 East Huron Street  
Chicago, Illinois

We have audited the financial statements of **Episcopal Charities and Community Services** as of and for the year ended December 31, 2021, and our report thereon dated June 22, 2022, which expressed an unmodified opinion on those financial statements, appears on pages 1 to 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 18 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Selden Fox, Ltd.*

June 22, 2022

**Episcopal Charities and Community Services and Subsidiary**  
**Schedule of Allocations**  
**For the Year Ended December 31, 2021**  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Legacy partners:		
Bishop Anderson Institute	\$ 60,000	\$ 59,200
Care for Friends	14,500	13,950
Cathedral Counseling Center	25,000	30,000
East Bluff Community Center	23,000	22,000
Eldercare	12,000	13,875
Holy Family Ministries	41,000	39,060
Lake County United	39,000	37,200
Lawrence Hall Youth Services	20,000	20,000
Primo Center for Women and Children	22,000	21,500
Ravenswood Community Services	15,000	11,250
ReVive of Chicago	19,000	15,500
Shelter Care Ministries	25,500	24,000
St. Augustine College	11,500	20,000
St. Leonard's Ministries	63,000	62,000
St. Mary's Services	13,000	13,875
Waukegan to College	30,000	32,375
Youth Guidance	15,000	14,725
Parish partners:		
Church of St. Benedict	1,000	-
Church of St. John the Evangelist	1,000	-
Emmanuel Episcopal Church	10,000	-
Grace Episcopal Church	1,000	-
St. Edward and Christ Episcopal Church	14,000	-
St. James Cathedral	5,000	-
St. John's Episcopal Church	1,000	-
St. Mark's Episcopal Church	9,100	-
St. Paul's Episcopal Church	7,000	-
Trinity Episcopal Church	1,000	-
Honoree partner	10,000	-
	<u>\$ 508,600</u>	<u>\$ 450,510</u>

See independent auditor's report on supplementary financial information.