Interfaith Community Services, Inc.

Financial Statements
Year Ended June 30, 2014

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Independent Auditors' Report

To the Audit Committee
Interfaith Community Services, Inc.
Escondido, CA

Report on the Financial Statements

We have audited the accompanying financial statements of **Interfaith Community Services, Inc**. (the "Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Interfaith Community Services, Inc**. as of June 30, 2014, 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.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Organization taken as a whole. The accompanying statement of functional expenses on page 7, report of actual operating costs (Form 180) on page 28, actual cash flow analysis (Form 181) on page 29, and annual report reserve balances and supplemental information (Form 182) on page 30 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 taken as a whole.

Mayer Hoffman McCann P.C.

December 12, 2014

INTERFAITH COMMUNITY SERVICES, INC.

Statement of Financial Position

June 30, 2014

ASSETS

Cash	$ 814,312
Contracts receivable	625,495
Prepaid expenses and other current assets	103,838
Unamortized donated rent	232,611
Investments	7,275,216
Property and equipment, net of accumulated depreciation	12,638,129
Total Assets	$ 21,689,601

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 101,069
Accrued expenses	418,711
Accrued interest	400,684
Capital lease	74,366
Notes payable	1,998,810
Total Liabilities	2,993,640
Net Assets:	
Unrestricted:	
Undesignated	10,642,333
Board designated long-term	1,374,998
	12,017,331
Temporarily restricted	1,314,928
Permanently restricted	5,363,702
Total Net Assets	18,695,961
Total Liabilities and Net Assets	$ 21,689,601

See accompanying notes to financial statements.

INTERFAITH COMMUNITY SERVICES, INC.

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Federal contract revenue	$ 5,186,943	$ -	$ -	$ 5,186,943
Other contract revenue	345,719	-	-	345,719
Contributions	2,025,452	712,547	-	2,737,999
In-kind donations	1,254,718	232,611	-	1,487,329
Rental income	378,541	-	-	378,541
Investment return	551,260	327,987	-	879,247
Other income	102,791	-	-	102,791
Net assets released from restrictions, satisfaction of program restrictions	159,035	(159,035)	-	-
Total Revenue and Support	10,004,459	1,114,110	-	11,118,569
Expenses:				
Program Services:				
Shelters and homes	1,170,497	-	-	1,170,497
Transitional housing	454,392	-	-	454,392
Low income housing	476,542	-	-	476,542
Veterans transitional housing	3,155,265	-	-	3,155,265
Other veterans services	679,305	-	-	679,305
Social services	2,441,212	-	-	2,441,212
Other community services	748,144	-	-	748,144
Total Program Services	9,125,357	-	-	9,125,357
Supporting Services:				
Management and general	808,439	-	-	808,439
Fundraising	640,385	-	-	640,385
Total Supporting Services	1,448,824	-	-	1,448,824
Total Expenses	10,574,181	-	-	10,574,181
Increase (Decrease) in Net Assets	(569,722)	1,114,110	-	544,388
Net assets, beginning	12,587,053	200,818	5,363,702	18,151,573
Net assets, ending	$12,017,331	$ 1,314,928	$ 5,363,702	$ 18,695,961

See accompanying notes to financial statements.

INTERFAITH COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services								Supporting Services			
	Shelters and Homes	Transitional Housing	Low Income Housing	Veterans Transitional Housing	Other Veterans Services	Social Services	Other Community Services	Total	Management and General	Fundraising	Total	Total Functional Expenses
Wages, salaries, contract labor, and employee benefits	$ 750,733	$ 223,490	$ 167,590	$ 2,019,800	$ 345,446	$ 967,673	$ 603,502	$ 5,078,234	$ 608,069	$ 441,812	$ 1,049,881	$ 6,128,115
Living assistance	273,275	121,238	112,778	512,727	22,372	776,527	32,732	1,851,649	-	-	-	1,851,649
Training and employment assistance	20	570	40	19,521	258,103	1,740	6,247	286,241	-	-	-	286,241
Office	20,194	31,117	18,241	302,409	26,838	118,595	49,451	566,845	98,907	164,240	263,147	829,992
Depreciation	80,776	54,144	102,883	182,809	9,899	54,987	7,029	492,527	3,306	4,024	7,330	499,857
Interest	16,766	9,579	51,135	5,877	-	-	-	83,357	287	-	287	83,644
Operations and support services	7,742	4,744	18,431	54,087	7,382	484,882	35,659	612,927	1,238	1,117	2,355	615,282
Other	20,991	9,510	5,444	58,035	9,265	36,808	13,524	153,577	96,632	29,192	125,824	279,401
	$ 1,170,497	$ 454,392	$ 476,542	$ 3,155,265	$ 679,305	$ 2,441,212	$ 748,144	$ 9,125,357	$ 808,439	$ 640,385	$ 1,448,824	$ 10,574,181
% of total expense by activity	11.1%	4.3%	4.5%	29.8%	6.4%	23.1%	7.1%	86.3%	7.6%	6.1%	13.7%	100.0%

See accompanying notes to financial statements.

INTERFAITH COMMUNITY SERVICES, INC.
Statement of Cash Flows
Year Ended June 30, 2014

Cash Flows from Operating Activities:		
Increase in net assets	$	544,388
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation		499,857
Realized gain on the sale of property and equipment		(4,845)
Realized and unrealized gain on investments		(849,706)
Contribution of securities		(8,599)
Changes in operating assets and liabilities:		
Contracts receivable		240,450
Prepaid expenses and other current assets		(269,886)
Accounts payable		(78,673)
Accrued expenses		(50,636)
Accrued interest		31,121
Net Cash Provided by Operating Activities		53,471
Cash Flows from Investing Activities:		
Purchases of property and equipment		(238,156)
Sale of property and equipment		7,006
Proceeds from sales of investments		883,097
Net Cash Provided by Investing Activities		651,947
Cash Flows from Financing Activities:		
Principal payments on capital lease		(13,121)
Payments on notes payable		(49,293)
Net Cash Used by Financing Activities		(62,414)
Net Increase in Cash		643,004
Cash, beginning of year		171,308
Cash, ending of year	$	814,312
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$	52,523

See accompanying notes to financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities
Interfaith Community Services, Inc. (the “Organization”), is a nonprofit corporation established in August 1982 to assist persons needing assistance in meeting basic human needs such as food, clothing, and shelter. The Organization provides a variety of social services including transitional housing, shelters and homes, low income housing, veterans’ services, and other community services principally in the North San Diego County, California area.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation
The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Fair Value Measurements
The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash, receivables, and payables approximate fair values as of June 30, 2014, due to the relative short maturities of these instruments.

Cash Equivalents
The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Contracts Receivable
The contracts receivable arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at June 30, 2014, because management believes that all amounts are collectible.

Promises to Give
Unconditional written pledges to the Organization in the future are recorded as promises to give and revenue in the year promised at the present value of expected cash flows, see Note 4. Unconditional written pledges must be evidenced by donor signature and deemed legally enforceable by the Board of Directors. Conditional pledges are recognized as revenue when the conditions are met. Intentions to pledge are recognized as revenue when the funds are actually received. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances. No allowance was considered necessary at June 30, 2014, because management believes that all amounts are collectible.

Investments
The Organization has investments held by the Jewish Community Foundation San Diego which are invested in various pools and are valued at the Organization's percentage interest in the total pools. The Organization also has investments held at an outside broker. At June 30, 2014, the Organization's investments included domestic and international equities, domestic and international fixed income, and other investments. All investments have been recorded at fair market value and are valued using a market approach. The fair values of investments in securities traded on national exchanges are valued at the closing price on the last day of business of the fiscal year. The fair value of other investments held by the Jewish Community Foundation San Diego are determined by investment managers in good faith using methods appropriate, and are subject to oversight and review by the Jewish Community Foundation San Diego's management. Realized and unrealized gains and losses on investments are included in the change in net assets in the Statement of Activities.

Property and Equipment
Acquisitions of property and equipment of $5,000 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of five to thirty-nine years.

Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Revenue from grants/contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant/contract authorized.

Contributed Materials and Services
Contributed materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. In addition, the Organization receives a substantial amount of nonprofessional services donated by volunteers in carrying out the Organization's program services. These services do not meet the generally accepted accounting principles criteria as contributions and are, therefore, not recognized in the financial statements.

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Organization is exempt from federal income and California franchise taxes under Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

All tax-exempt entities are subject to review and audit by federal, state, and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the Organization as a tax-exempt entity under Internal Revenue Code Section and applicable state statutes.

At June 30, 2014, the federal statute of limitations remains open for the 2011 through 2014 tax years. The statute of limitations for the state income tax returns remains open for the 2010 through 2014 tax years.

Note 2 – Concentration of Credit Risk

The Organization maintains cash balances in bank accounts which, at times, exceed the federal insurable limit. The Organization has not experienced any losses from cash concentrations and management does not believe the Organization is exposed to any significant risk.

Note 3 – Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at June 30, 2014, consisted of the following:

Deposits	$	37,820
Prepaid insurance		37,378
Other accounts receivable		28,640
Total prepaid expenses and other current assets	$	103,838

Note 4 – Unamortized Donated Rent

In January 2014, the Organization entered into a ten year agreement with Veteran's Association of North County to provide Veterans services in exchange for free rent at 1617 Mission Ave, Oceanside, CA. This agreement expires January 30, 2024. The Organization began providing services at this location on April 1, 2014. The promise to give of approximately $294,000 represents the fair market value of the rent for the remaining 115 months of this agreement. The promise was discounted by 5.00% and the unamortized discount on promise to give is approximately $61,000 as of June 30, 2014. The unamortized fair market value of the donated rent is approximately $233,000 as of June 30, 2014.

Note 5 – Investments

The Organization's Level 1 investments consist of endowment funds held at an outside broker. The fair value of these investments was determined using the market approach by using the closing price on the last day of business of the fiscal year.

The Organization's Level 2 investments consist of endowment funds held by the Jewish Community Foundation San Diego in a balanced pool portfolio that includes primarily publicly traded securities. The Organization has variance power over the funds. The pooled investments are categorized as Level 2 because they have no direct observable inputs.

Note 5 – Investments, continued

The following table summarizes the valuation of the Organization's investments in accordance with authoritative fair value guidance at June 30, 2014:

	Level 1	Level 2	Total
Cash and cash equivalents	$ 172,683	$ -	$ 172,683
Domestic equities	1,835,023	709,399	2,544,422
International equities	1,077,217	864,661	1,941,878
Domestic fixed income	1,513,323	687,979	2,201,302
International fixed Income	-	321,237	321,237
Other	-	93,694	93,694
	$ 4,589,246	$ 2,676,970	$ 7,275,216

Investment return for the year ended June 30, 2014, consisted of the following:

Interest and dividends	$ 179,551
Realized and unrealized gain	699,696
Investment fees	(35,299)
	$ 843,948

Note 6 – Property and Equipment

Property and equipment at June 30, 2014, consisted of the following:

Land	$ 5,023,695
Buildings	10,985,798
Leasehold improvements	603,013
Furniture and equipment	405,333
Software	6,369
Vehicles	82,592
	17,106,800
Less accumulated depreciation	(4,468,671)
	$ 12,638,129

Note 7 – Line of Credit

The Organization has a line of credit with Wells Fargo Bank in the amount of $500,000 that is secured by all personal property of the Organization. Interest only is payable monthly at the greater of 1.50% above the Wall Street Journal's prime rate (3.25% at June 30, 2014) or the floor rate of 5.00%. The line of credit expires in June 2015. The Organization had no outstanding balance at June 30, 2014.

Note 8 – Notes Payable

Notes payable at June 30, 2014 consisted of the following:

Notes payable to City of Escondido for $443,000, secured by real property, due December 2018. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Home Project provides positive cash flow.	$ 443,000
Note payable to Union Bank in aggregate monthly payments of $3,182 including interest at 4.50% per annum, secured by real property, due July 2025.	334,714

Note 8 – Notes Payable, continued

Note payable to an individual in aggregate monthly payments of $1,381 (interest only at 4.25% per annum), secured by real property. The principal balance is due the earlier of June 2015 or sale of the property.	390,000
In December 2010, the Organization entered into residual receipts loan agreement with the City of Oceanside (City) for $350,000. The note bears interest at 3.00% per annum. The term is 55 years with 50.00% of the annual residual receipts paid to City for calendar years ending 2011 through 2065. All principal and accrued interest is due December 8, 2065. The City recorded a deed of trust which is subordinate to Wells Fargo Bank NA.	350,000
Note payable to California Department of Housing and Community Development for $245,000, secured by real property, due July 2057. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the CASA Program provides positive cash flow. The Development was constructed in 1964 and is made up of eight units.	245,000
Note payable to Wells Fargo Bank in monthly payments of $1,416 including interest at 5.50% per annum, secured by real property, remaining balance of principal and interest due December 2020.	92,478
Mortgage payable to Midland Loan Services in monthly payments of $845 including adjustable rate interest of 0.50% above bank prime rate (3.75% at June 30, 2014), secured by real property, due June 2025.	91,099
Mortgages payable to Midland Loan Services in monthly payments of $1,060 including interest at 7.00% per annum, secured by real property, due June 2019.	52,519
	$ 1,998,810

Future principal payments on notes payable at June 30, 2014, are due as follows:

Year Ending June 30,	
2015	$ 441,890
2016	54,587
2017	57,497
2018	60,518
2019	505,256
Thereafter	879,062
	$ 1,998,810

Notes payable contain certain financial and non-financial covenants.

Note 9 – Capital Lease

The Organization leases solar equipment under a non-cancelable capital lease, which was included in property and equipment as of June 30, 2014, as follows:

Solar equipment	$ 119,972
Less accumulated depreciation	(54,272)
	$ 65,700

Note 9 – Capital Lease, continued

Depreciation expense related to this capitalized lease was approximately $17,000 for the year ended June 30, 2014.

Future minimum lease payments are as follows:

Year Ending June 30,		
2015	$	20,919
2016		21,968
2017		23,075
2018		22,110
Total minimum lease payments		88,072
Amount representing interest		(13,706)
Present value of minimum lease payments	$	74,366

Note 10 – Commitments

Operating Leases
The Organization leased space for its Coastal Service Center in Oceanside, California under a non-cancellable operating lease which expired in April 2014. The monthly lease payment was approximately $10,000. Total rent expense is approximately $105,000 for the year ended June 30, 2014.

The Organization entered into an operating lease for its new Coastal Social Services Center which expires in April 2019. The monthly lease payment is approximately $900. Total rent expense is approximately $1,700 for the year ended June 30, 2014.

The Organization entered into a non-cancellable vehicle lease for a van which expires in August 2016. The monthly lease payment is approximately $400. Total lease expense is approximately $4,000 for the year ended June 30, 2014.

Future minimum lease payments under operating leases at June 30, 2014, are due as follows:

Year Ending June 30,		
2015	$	15,025
2016		15,025
2017		11,119
2018		10,338
2019		8,638
Total lease payments	$	60,145

Note 11 – Contingencies

Grants and Contracts
The Organization receives a significant portion of its revenues from government grants and contracts which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits is not significant.

Note 11 – Contingencies, continued

Repayment Contingency
The Organization received a contribution of $463,907 from the City of Escondido that was used to purchase its headquarters which is included in property and equipment in the Statement of Financial Position. The contribution amount is to be repaid in the event that the property is sold or is no longer used for its designated purpose. The Organization has not expressed intent to sell the property and plans to continue to operate the facility consistent with its designated purpose.

Litigation
In the normal course of operations, the Organization is occasionally named as a defendant in various lawsuits. It is the opinion of management and of legal counsel that the outcome of any pending lawsuits will not materially affect the operation or the financial position of the Organization.

Note 12 – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following at June 30, 2014:

Purpose Restrictions:		
Purchase of property	$	550,000
Teens teaching tech		61,188
Fire relief		52,030
Senior services		25,884
North County Labor Connection		18,750
Other		5,912
Time Restrictions:		
Unappropriated endowment earnings		368,553
Unamortized donated rent		232,611
	$	1,314,928

Note 13 – Permanently Restricted Endowment

The Organization's donor-restricted endowment consists of pooled funds at the Jewish Community Foundation of San Diego and is established for a variety of purposes, as well as investments held at an outside broker established to serve children's needs and those of their families. 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.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner that is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 13 – Permanently Restricted Endowment, continued

1) The duration and preservation of the fund
2) The purposes of the Organization and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Organization
7) The investment policies of the Organization

At June 30, 2014, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 368,553	$ 5,363,702	$ 5,732,255

Changes in endowment net assets for the year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 40,566	$ 5,363,702	$ 5,404,268
Activity:				
Donations	-	-	-	-
Interest and dividends	-	149,023	-	149,023
Realized and unrealized gain	-	491,640	-	491,640
Investment expense	-	(27,400)	-	(27,400)
Appropriations	-	(285,276)	-	(285,276)
Net Activity	-	327,987	-	327,987
Endowment net assets, end of year	$ -	$ 368,553	$ 5,363,702	$ 5,732,255

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide funding for the operating expenses of programs supported by its endowments. In order to limit risk exposure, account features such as asset allocation, diversity, duration of holding each security, return on investment, and investment quality shall be applied, measured, and reviewed.

Investment Strategy
The investment strategy of the Organization is to develop a diversified portfolio of passive investments. For equity investments, the selection of such holdings is based on the merits of long-term ownership without the intent of short-term trading. To achieve investment objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy
The Organization has a policy of appropriating for distribution annually an amount equal to 5% of the investment accounts balances as of the last day of the prior calendar year. The Organization expects the current spending policy to allow its endowment to meet the needs of the Organization. This is consistent with the Organization's objective to provide funding for the operating expenses of programs as well as to provide additional real growth through new gifts and investment return.

Note 14 – Board Designated Long-Term

The Organization also has unrestricted funds held in a pooled account at the Jewish Community Foundation of San Diego. The Board of Directors has designated these funds to support the Organization for a long but unspecified period of time. These funds are invested in a manner similar to the permanently restricted endowment funds. All earnings related to the board designated long-term funds are recorded in the undesignated net asset balance.

Board designated long-term investments, beginning of year	$ 1,874,998
Board designated contributions	-
Board releases	(500,000)
Board designated long-term investments, end of year	$ 1,374,998

Note 15 – Pension Plan

The Organization has a 401(k) retirement plan which covers substantially all employees 18 years of age or older who have completed three months of service. A contribution to the plan is paid monthly at a rate determined by the Board of Directors. Employee contributions to the plan are at the discretion of each eligible employee and are matched by the Organization monthly at a percentage determined by the Board of Directors. For the period July 1, 2013 through August 31, 2013 the Organization contributed at a rate of 2% employer contribution and a 2% employer match. Effective September 1, 2013, these rates became 1% employer contribution and a 1% employer match. The total employer contributions to the plan for the year ended June 30, 2014 were approximately $72,000.

Note 16 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 17 – Subsequent Events

The Organization has evaluated subsequent events through December 12, 2014, which is the date the financial statements were available to be issued.

INTERFAITH COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Contract Number	Expenditures
U.S Department of Housing and Urban Development			
Direct programs:			
Continuum of Care Program - Genesis I	14.267	CA0699B9D011104	$ 83,470
Continuum of Care Program - Genesis II	14.267	CA0700L9D011205	58,148
Continuum of Care Program - CasaWorks	14.267	CA0711L9D011205	89,103
Continuum of Care Program - Raymond's Refuge	14.267	CA0944L9D011203	85,396
Continuum of Care Program - Spruce Street	14.267	CA0710L9D011205	265,326
Pass-through Veterans Village of San Diego			
Continuum of Care Program - New Resolve	14.267	n/a	37,336
Veterans Homelessness Demonstration Program	14.260	n/a	33,183
Pass-through from County of San Diego			
Continuum of Care Program	14.267	CA0693L9D011205	181,652
CDBG - Family Self-Sufficiency - Shelter Services - Coastal	14.218	544433	24,266
CDBG - Family Self-Sufficiency - Shelter Services - Inland	14.218	544434	30,106
Pass-through from City of Carlsbad:			
CDBG - Social Services	14.218	n/a	1,000
Pass-through from City of Vista:			
CDBG - Senior Services	14.218	n/a	11,865
Pass-through from City of Escondido via North County Community Services			
CDBG - Winter Shelter - Haven House	14.218	n/a	30,000
			930,851
U.S Department of Labor			
Direct program:			
Homeless Veterans Reintegration Project	17.805	HV-24644-13-60-5-6	299,807
HVRP - Homeless Female Veterans - Veterans with Families	17.805	HV-24727-13-60-5-6	79,184
Pass-through from San Diego Workforce Partnership:			
WIA Youth Activities - TYA Gang Prevention	17.259	193-25	188,427
Pass-through from California Employment Development Dept			
WIA Adult Program - VEAP	17.258	K399194	120,426
WIA Dislocated Worker Formula Grant	17.278	K399194	102,430
			790,274
U.S Department of Agriculture			
Pass-through from County of San Diego			
Supplemental Nutrition Assistance Program - Coastal	10.561	544433	4,820
Passed through to Vista Community Clinic	10.561	544433	85,203
Supplemental Nutrition Assistance Program - Inland	10.561	544434	4,879
Passed through to Escondido Education COMPACT	10.561	544434	84,793
			179,695
U.S Department of Health and Human Services			
Pass-through from County of San Diego:			
CSBG - Family Self-Sufficiency - Coastal	93.569	544433	88,720
Passed through to Community Resource Center	93.569	544433	129,543
Passed through to Catholic Charities	93.569	544433	5,575
CSBG -Family Self-Sufficiency - Inland	93.569	544434	223,873
National Family Caregiver Support - Minor Home Repair	93.052	541674	47,720
			495,431
Department of Homeland Security			
Pass-through from Catholic Charities:			
Emergency Food and Shelter National Board Program	97.024	n/a	24,143
			24,143
U.S Department of Veteran Affairs			
Direct programs:			
VA Homeless Providers Grant and Per Diem Program - Oceanside	64.024	07-716-CA	1,001,936
VA Homeless Providers Grant and Per Diem Program - Aster	64.024	98-027-CA	380,013
VA Homeless Providers Grant and Per Diem Program - Merle's Place	64.024	05-016-CA	611,489
VA Homeless Providers Grant and Per Diem Program - Recuperative Beds	64.024	VA262-P-0438	773,111
			2,766,549
			$ 5,186,943

See independents auditors' report and note to schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

See Schedule of Expenditures of Federal Awards for amounts provided to subrecipients.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Audit Committee
Interfaith Community Services, Inc.
Escondido, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Interfaith Community Services, Inc.** ("the Organization"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004.

The Organization’s Response to Findings

The Organization’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

December 12, 2014

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Audit Committee
Interfaith Community Services, Inc.
Escondido, California

<u>Report on Compliance for Each Major Federal Program</u>

We have audited **Interfaith Community Services, Inc.'s** ("the Organization") compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

<u>Management's Responsibility</u>

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

<u>Auditors' Responsibility</u>

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

<u>Opinion on Each Major Federal Program</u>

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

<u>Other Matters</u>

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, and 2014-004, that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

December 12, 2014

Section I – Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses? **See item 2014-001.**	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses? **See items 2014-002, 2014-003 and 2014-004.**	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of Major Programs:

U.S. Department of Labor:	
Homeless Veterans Reintegration Program	17.805
Pass-through, San Diego Workforce Partnership:	
WIA Youth Activities - TYA Gang Prevention	17.259
Pass-through, California Employment Development Department:	
WIA Adult Program - VEAP	17.258
WIA Dislocated Worker Formula Grant	17.278
U.S. Department of Agriculture:	
Pass-through, County of San Diego:	
Supplemental Nutrition Assistance Program	10.561
U.S. Department of Health and Human Services:	
Pass-through, County of San Diego:	
CSBG Family Self-Sufficiency Services	93.569
U.S. Department of Veteran Affairs:	
VA Homeless Providers Grant and Per Diem Program	64.024

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

Item: **2014-001**

Subject: **Notes Payable**

Condition, Criteria, Effect:
While **Interfaith Community Services, Inc.** monitored non-financial and compliance covenant requirements during the year, in one case, required compliance information was not submitted and in another, a new required reporting format wasn't followed. The result of not providing timely and accurate reporting to funding sources could have a potential impact on the Organization's relationship with these sources.

Recommendation:
There needs to be an understanding of all loan covenants at a level higher than the program managers and procedures implemented to ensure oversight of this process. Additionally, as new agreements are entered into, procedures need to be implemented to communicate those requirements and develop the oversight process. We recommend that the Organization educate its staff as to the risks associated with non-compliance of these covenants.

Corrective Action Plan:
The Organization will continue to monitor the non-financial and compliance covenant requirements and submit the required reporting on a timely fashion.

Section III – Federal Award Findings and Questioned Costs

Item: **2014-002**

Agency: **VA Homeless Providers Grant and Per Diem Program, CFDA # 64.024,**
U.S Department of Veteran Affairs

Award(s): **Veterans Recuperative Beds, 10/1/13 – 9/30/14, VA262-12-D-0144**
Veterans Transitional Housing - Oceanside, 4/1/14 – 3/31/15, 07-716-CA

Subject: **Daily Sign-in Log**

Condition, Criteria, Effect:
We noted that the grant agreements and the GPD Guide Capital Grant Recipient stated, "Periodically, liaisons should verify invoices by asking to see the supporting documentation, (i.e., daily sign-in log, or other documentation showing that the Veteran was present and receiving services on that day)". MHM noted that the above specific requirement is not being fulfilled in two of the four VA programs listed above. Out of a sample of 26 individuals selected for testing, 5 had not signed in every day during the period selected for testing, which was a month or less. These individuals also did not sign a certification that they had received services for the days that they had not signed in.

Recommendation:
We recommend having the sign in sheets audited internally for missing signatures and then monthly during the participants meeting with the Case Managers having program participants with missing signatures sign a certification stating that, although they did not sign-in for X number of days during the month (billing period), they did receive services.

Corrective Action Plan:
The Organization has implemented a program-wide standard operating procedure of sign-in logs that include daily, weekly, and monthly audits by responsible leaders and managers including the resident managers, case managers, and program manager. The Organization has also established joint bi-monthly audits by the VA Liaison and the Program Manager. Corrective actions to missing signatures mandate responsible managers to issue and ensure residents sign an absentee form to certify the number of days of occupancy and services received.

Questioned Costs: N/A

Item: **2014-003**

Agency: **WIA Adult Program, CFDA # 17.258 and**
WIA Dislocated Worker Formula Grants, CFDA #17.278
U.S Department of Labor, pass-through from California Development Department

Award(s): **Workforce Investment Act Sub grant, 6/1/13 – 3/31/15, K391994**

Subject: **Match**

Condition, Criteria, Effect:
We noted that the grant agreement stated that the Organization will provide $437,570 in matching contributions. The majority of the match will be funded by the Veterans Association who will provide a per diem rate in order to provide housing, food and basic needs to participants. Per testing performed, MHM noted that the match amount is not being calculated and reported by the Organization in accordance with the grant agreement.

Recommendation:
We recommend that the calculation and reporting of the match is reviewed by a person other than the preparer each month to ensure the accuracy of the calculation.

Corrective Action Plan:
The calculation and reporting of the match will be reviewed by someone who is knowledgeable of the grant match requirements.

Questioned Costs: N/A

Item: **2014-004**

Agency: **Supplemental Nutrition Assistance Program, CFDA 10.561, CFDA 10.561**
U.S Department of Agriculture, Pass-through from County of San Diego

Award(s): **Supplemental Nutrition Assistance Program, 4/1/2013 – 12/31/2014, 544434 and 544433**

Subject: **Subrecipient Monitoring**

Condition, Criteria, Effect:
We noted that the Organization in not adequately monitoring two of its subrecipients to ensure that they are meeting all compliance requirements in accordance with the grant agreement.

Recommendation:
We recommend that the Organization establish a policy and procedure to properly monitor subrecipients. This policy should include site visits if possible and review of supporting documentation to ensure the subrecipient is operating in accordance with the grant agreement.

Corrective Action Plan:
The Organization will establish policies and procedures to ensure the subrecipients are operating in accordance with the grant agreement. These policies will include site visits to review the supporting documentation.

Questioned Costs: $169,996

Section IV – Summary Schedule of Prior Year Findings

A. Findings Relating to the Financial Statements Prepared in Accordance with Government Auditing Standards:

Item: 2013-01

Subject: Notes Payable

Condition, Criteria, Effect:
While **Interfaith Community Services, Inc.** monitored non-financial and compliance covenant requirements during the year, in two cases, required compliance information was submitted late. The result of not providing timely reporting to funding sources could have a potential impact on the Organization's relationship with these sources.

Recommendation:
There needs to be an understanding of all loan covenants at a level higher than the program managers and procedures implemented to ensure oversight of this process. Additionally, as new agreements are entered into, procedures need to be implemented to communicate those requirements and develop the oversight process. We recommend that the Organization educate its staff as to the risks associated with non-compliance of these covenants.

Current Status:
Finding is repeated see **2014-001** above.

B. Findings Relating to the Federal Awards and Questioned Costs:

Item: 2013-02

Agency: VA Homeless Providers Grant and Per Diem Program, CFDA # 64.024, U.S Department of Veteran Affairs

Award(s): Veterans Recuperative Beds, 10/1/12 – 9/30/13, VA262-12-R-0581

Subject: Daily Sign-in Log

Condition, Criteria, Effect:
We noted that the grant agreements and the GPD Guide Capital Grant Recipient stated, "Periodically, liaisons should verify invoices by asking to see the supporting documentation, (i.e., daily sign-in log, or other documentation showing that the Veteran was present and receiving services on that day)". MHM noted that the above specific requirement is not being fulfilled in one of the four VA programs listed above. Out of a sample of 10 individuals selected for testing, 2 had not signed in one day for the period selected for testing, which was a month or less. These individuals also did not sign a certification that they had received services for the days that they had not signed in.

Recommendation:
We recommend having the sign in sheets audited for missing signatures (as is currently being done in three of the four programs) and then monthly during their meeting with the Case Managers having program participants with missing signatures sign a certification stating that, although they did not sign-in for X number of days during the month (billing period), they did receive services.

Current Status:
Finding is repeated see **2014-002** above.

Questioned Costs: N/A

FAMILIES MOVING TO WORK (FMTW)

8. REPORT OF ACTUAL OPERATING COSTS

Reporting Period: 7/1/2013 to 06/30/2014

Contract No: 99-FMTW-011
Project Name: CASAWorks Apartments
Prepared by: Joseph Stemmler, Director of Finance
Date Prepared: 9/29/2014

Units -- Assisted: 8
Units -- Total: 8
Unit Months: 96

ACCOUNT NAME		UNIT EXPENSES						PROJECT TOTALS		
	ACCOUNT CODES	Approved Assisted (A)	Actual Assisted	Approved Non-Assisted	Actual Non-Assisted	Proposed Commercial	Actual Commercial	Approved Total Expenses	Total Actual Expenses (B)	Project Variance (C)
MANAGEMENT FEE: 6200/6300										
1 Management Fee or Sponsor Overhead	6320	0	0	0	0	0	0	0	0	0
ADMINISTRATIVE EXPENSES: 6200/6300										
2 Advertising	6210	0	0	0	0	0	0	0	0	0
3 Apartment Resale Expense (Cooperatives)	6235	0	0	0	0	0	0	0	0	0
4 Other Renting Expenses	6250	0	0	0	0	0	0	0	0	0
5 Office Salaries	6310	4,509	3,646	0	0	0	0	4,509	3,646	863
6 Office Supplies	6311	1,524	892	0	0	0	0	1,524	892	632
7 Office or Model Apartment Rent	6312	0	0	0	0	0	0	0	0	0
8 Manager and Superintendent Salaries	6330	15,238	18,770	0	0	0	0	15,238	18,770	(3,532)
9 Manager's or Superintendent's Rent Free Unit	6331	0	0	0	0	0	0	0	0	0
10 Legal Expense - Project	6340	360	0	0	0	0	0	360	0	360
11 Audit Expense - Project	6350	4,045	2,623	0	0	0	0	4,045	2,623	1,422
12 Bookkeeping Fees/Accounting Services	6351	0	0	0	0	0	0	0	0	0
13 Telephone and Answering Service Expenses	6360	840	615	0	0	0	0	840	615	225
14 Bad Debt Expense	6370	0	0	0	0	0	0	0	0	0
15 Miscellaneous Administrative Expenses (specify)	6390	1,620	322	0	0	0	0	1,620	322	1,298
16 **TOTAL ADMINISTRATIVE EXPENSES**	**6200/6300T**	28,136	26,868	0	0	0	0	28,136	26,868	1,268
UTILITIES EXPENSES: 6400										
17 Fuel Oil/Coal	6420	0	0	0	0	0	0	0	0	0
18 Electricity	6450	3,540	3,365	0	0	0	0	3,540	3,365	175
19 Water	6451	6,360	5,786	0	0	0	0	6,360	5,786	574
20 Gas	6452	0	0	0	0	0	0	0	0	0
21 Sewer	6453	0	0	0	0	0	0	0	0	0
22 **TOTAL UTILITIES EXPENSES**	**6400T**	9,900	9,151	0	0	0	0	9,900	9,151	749
OPERATING AND MAINTENANCE EXPENSES: 6500										
23 Janitor and Cleaning Payroll	6510	0	0	0	0	0	0	0	0	0
24 Janitor and Cleaning Supplies	6515	600	108	0	0	0	0	600	108	492
25 Janitor and Cleaning Contracts	6517	600	133	0	0	0	0	600	133	467
26 Exterminating Payroll/Contract	6519	0	455	0	0	0	0	0	455	(455)
27 Exterminating Supplies	6520	0	0	0	0	0	0	0	0	0
28 Garbage and Trash Removal	6525	3,480	3,853	0	0	0	0	3,480	3,853	(373)
29 Security Payroll/Contract	6530	0	0	0	0	0	0	0	0	0
30 Grounds Payroll	6535	0	0	0	0	0	0	0	0	0
31 Grounds Supplies	6536	0	0	0	0	0	0	0	0	0
32 Grounds Contract	6537	3,660	3,645	0	0	0	0	3,660	3,645	15
33 Repairs Payroll	6540	2,750	2,747	0	0	0	0	2,750	2,747	3
34 Repairs Material	6541	15,480	11,513	0	0	0	0	15,480	11,513	3,967
35 Repairs Contract	6542	840	958	0	0	0	0	840	958	(118)
36 Elevator Maintenance/Contract	6545	0	0	0	0	0	0	0	0	0
37 Heating/Cooling Repairs and Maintenance	6546	0	0	0	0	0	0	0	0	0
38 Swimming Pool Maintenance/Contract	6547	0	0	0	0	0	0	0	0	0
39 Snow Removal	6548	0	0	0	0	0	0	0	0	0
40 Decorating/Payroll Contract	6560	0	0	0	0	0	0	0	0	0
41 Decorating Supplies	6561	0	0	0	0	0	0	0	0	0
42 Vehicle and Maint. Equipment Operation/Repairs	6570	1,200	1,527	0	0	0	0	1,200	1,527	(327)
43 Misc. Operating and Maintenance Expenses (specify)	6590	4,260	4,401	0	0	0	0	4,260	4,401	(141)
44 **TOTAL OPERATING & MAINTENANCE EXPENSES**	**6500T**	32,870	29,340	0	0	0	0	32,870	29,340	3,530
TAXES AND INSURANCE: 6700										
45 Real Estate Taxes	6710	80	73	0	0	0	0	80	73	7
46 Payroll Taxes (Project's Share)	6711	4,536	4,624	0	0	0	0	4,536	4,624	(88)
47 Misc. Taxes, Licenses and Permits	6719	160	48	0	0	0	0	160	48	112
48 Property and Liability Insurance (Hazard)	6720	2,016	2,088	0	0	0	0	2,016	2,088	(72)
49 Fidelity Bond Insurance	6721	0	0	0	0	0	0	0	0	0
50 Worker's Compensation	6722	1,084	2,713	0	0	0	0	1,084	2,713	(1,629)
51 Health Insurance and Other Employee Benefits	6723	7,670	10,796	0	0	0	0	7,670	10,796	(3,126)
52 Other Insurance	6729	0	0	0	0	0	0	0	0	0
53 **TOTAL TAXES AND INSURANCE**	**6700T**	15,546	20,342	0	0	0	0	15,546	20,342	(4,796)
ASSISTED LIVING/BOARD & CARE EXPENSES; 6900										
54 Food	6932	900	1,013	0	0	0	0	900	1,013	(113)
55 Recreation and Rehabilitation	6980	0	0	0	0	0	0	0	0	0
56 Rehabilitation Salaries	6983	29,647	27,370	0	0	0	0	29,647	27,370	2,277
57 Other Service Expenses	6990	8,305	825	0	0	0	0	8,305	825	7,480
58 **TOTAL ASSISTED LIVING EXPENSES**	**6900T**	38,852	29,208	0	0	0	0	38,852	29,208	9,644
61 **TOTAL OPERATING COSTS**		**125,304**	**114,909**	**0**	**0**	**0**	**0**	**125,304**	**114,909**	**10,395**

STATE OF CALIFORNIA
Annual Report
Actual Cash Flow Analysis
AMC 181 (Rev. Oct 2009)

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

FAMILIES MOVING TO WORK (FMTW)
9. ACTUAL CASH FLOW ANALYSIS

Reporting Period: 07/01/2013 to 06/30/2014

Contract No:	99-FMTW-011	Units -- Assisted:	8
Project Name:	CASAWorks Apartments	Units -- Total:	8
Prepared by:	Joseph Stemmler, Director of Finance		
Date Prepared:	9/29/2014	Unit Months:	96

ACCOUNT NAME		ASSISTED UNITS		NON-ASSISTED UNITS		COMMERCIAL		TOTAL PROJECT		PROJECT VARIANCE
	Account Codes	Approved Cashflow (A)	Actual Cashflow (B)	Approved Cashflow (C)	Actual Cashflow (D)	Proposed Cashflow (E)	Actual Cashflow (F)	Approved Cashflow (G)	Actual Cashflow (H)	Cashflow Variance (I)
REVENUE ACCOUNTS/RENT REVENUE: 5100										
1 Rent Revenue	5120	22,888	17,853	0	0	0	0	22,888	17,853	(5,035)
2 Tenant Assistance Payments	5121	0	0	0	0	0	0	0	0	0
3 Rent revenue - Stores and Commercial	5140	0	0	0	0	0	0	0	0	0
4 Garage and Parking Spaces	5170	0	0	0	0	0	0	0	0	0
5 Flexible Subsidy Revenue	5185	81,415	89,103	0	0	0	0	81,415	89,103	7,688
6 Miscellaneous Rent Revenue	5190	0	568	0	0	0	0	0	568	568
7 Excess Rent	5191	0	0	0	0	0	0	0	0	0
8 Rent Revenue/Insurance	5192	0	0	0	0	0	0	0	0	0
9 Special Claims Revenue	5193	0	0	0	0	0	0	0	0	0
10 Retained Excess Income	5194	0	0	0	0	0	0	0	0	0
11 **GROSS RENT REVENUE**	**5100T**	**104,303**	**107,524**	**0**	**0**	**0**	**0**	**104,303**	**107,524**	**3,221**
Total Vacancies (HCD Use Only)	**5200T**	0	0	0	0	0	0	0	0	0
ASSISTED LIVING/BOARD & CARE REVENUES: 5300										
17 Food	5332	0	0	0	0	0	0	0	0	0
18 Recreation (Activities) and Rehabilitation	5380	0	0	0	0	0	0	0	0	0
19 Rehabilitation	5385	0	0	0	0	0	0	0	0	0
20 Other Service Revenue	5390	0	0	0	0	0	0	0	0	0
Total Living Revenue	***6300T***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
FINANCIAL REVENUE: 5400										
21 Financial Revenue - Project Operations	5410	0	0	0	0	0	0	0	0	0
Total Financial Revenue	***5400T***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
OTHER REVENUE: 5900										
22 Laundry and Vending Revenue	5910	720	0	0	0	0	0	720	0	(720)
23 NSF and Late Charges	5920	0	0	0	0	0	0	0	0	0
24 Damages and Cleaning Fees	5930	0	0	0	0	0	0	0	0	0
25 Forfeited Tenant Security Deposits	5940	0	0	0	0	0	0	0	0	0
26 Other Revenue	5990	0	0	0	0	0	0	0	0	0
Total Other Revenue	***5900T***	*720*	*0*	*0*	*0*	*0*	*0*	*720*	*0*	*(720)*
27 **EFFECTIVE GROSS RENT (EGR)**	**5152T**	**105,023**	**107,524**	**0**	**0**	**0**	**0**	**105,023**	**107,524**	**2,501**
28 **TOTAL OPERATING EXPENSES**	**6000T**	**125,304**	**114,909**	**0**	**0**	**0**	**0**	**125,304**	**114,909**	**10,395**
29 **NET OPERATING INCOME (NOI)**	**5000T**	**(20,281)**	**(7,385)**	**0**	**0**	**0**	**0**	**(20,281)**	**(7,385)**	**12,896**
FINANCIAL EXPENSES: 6800										
30 Non-Contingent Debt Service (specify lender)	6895									
1st Mortgage =		0	0	0	0	0	0	0	0	0
2nd Mortgage=		0	0	0	0	0	0	0	0	0
3rd Mortgage=		0	0	0	0	0	0	0	0	0
31 HCD Required Payments	6890	0	0	0	0	0	0	0	0	0
32 Lease Payment	6890	0	0	0	0	0	0	0	0	0
33 Miscellaneous Financial Expenses	6890	0	0	0	0	0	0	0	0	0
Total Financial Expenses	***6800T***	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
FUNDED RESERVES:	1300									
34 Escrow Deposits	1310	0	0	0	0	0	0	0	0	0
35 Replacement Reserve-Deposit	1320	0	0	0	0	0	0	0	0	0
36 Operating Reserve-Deposit	1300	0	0	0	0	0	0	0	0	0
37 Other Reserves (specify)										0
#1	1330	0	0	0	0	0	0	0	0	0
#2	1330	0	0	0	0	0	0	0	0	0
#3	1330	0	0	0	0	0	0	0	0	0
Total Reserve Deposits		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
38 **PROJECT CASH FLOW (CF)**		**(20,281)**	**(7,385)**	**0**	**0**	**0**	**0**	**(20,281)**	**(7,385)**	**12,896**
ADDITIONAL REVENUE:										
39 (not used)		0	0					0	0	0
40 Withdrawal from Operating Reserves		0	0	0	0	0	0	0	0	0
41 Borrower Contribution		20,281	7,385	0	0	0	0	20,281	7,385	(12,896)
42 Other (specify)		0	0	0	0	0	0	0	0	0
Total Additional Revenue		20,281	7,385	0	0	0	0	20,281	7,385	(12,896)
USE OF CASH FLOW:										
43 HCD Interest Payments		0	0	0	0	0	0	0	0	0
44 Asset Mgmt Fee (CHRP-R/SUHRP & HOME-pre-UMR Only)		0	0	0	0	0	0	0	0	0
45 Asset Mgmt Fee/Prtrshp Costs (MHP/HOME under UMR)		0	0	0	0	0	0	0	0	0
46 Borrower Distributions		0	0	0	0	0	0	0	0	0
47 Residual Receipt Loan Payments		0	0	0	0	0	0	0	0	0
48 Other (specify)		0	0	0	0	0	0	0	0	0
Total Use of Cash Flow		0	0	0	0	0	0	0	0	0

5. AMC 182 - RESERVE AND OTHER ACCOUNT BALANCES

Project Name: CASAWorks Apartments
HCD Contract #(s): 99-FMTW-011
Prepared By: Joseph Stemmler
Date Prepared: 9/29/14
Reporting period - from (mm/dd/yy): 7/1/13
Reporting period - to (mm/dd/yy): 6/30/14

Please complete the following table with the appropriate amounts *for each Account*.
For CHRP-R, DDS, HCD HOME CHDO & SUHRP Projects-attach corresponding reserve account bank statements.

	Operating Reserve Account	Replacement Reserve Account	Transition Reserve Account	Other Reserve (specify)	Tenant Security Deposits
Account Numbers:					
Annual Required Deposits					
A. Beginning Account Balance:					$ 302
Actual Deposits (if different than required Deposits, explain below)					
Security Deposits Received					
Interest Earned					
Section A Subtotal:	**$ -**	**$ -**	**$ -**	**$ -**	**$ 302**

Explanation of Deposits:

B. Withdrawals (enter withdrawal request number, date and amount below):

Withdrawal Request Number	Date of Withdrawal from Account	Operating Reserve	Replacement Reserve	Transition Reserve	Other Reserve	Tenant Security Deposits
Bank Charges/Fees Paid						
Other Debits/Reductions (explain below)						
Security Deposit Amounts Returned to Tenants						
Security Deposit Amounts Deducted for Tenant Accounts Receivable						$ 302
Interest Paid upon Move-Out						
Section B Subtotal:		**$ -**	**$ -**	**$ -**	**$ -**	**$ 302**
C. Ending Account Balance:		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Explanation of Withdrawals (include explanation of withdrawals made without HCD approval):

Additional Requested Information (explain any "No" and "N/A" answers):

Item	Yes	No	N/A	Comments
1. **Operating Reserves:** Have deposits been made as required by HCD?	○ Yes	● No	○ N/A	No project cashflow for the period
2. **Replacement Reserves:** Have deposits been made as required by HCD?	○ Yes	● No	○ N/A	No project cashflow for the period
3. **Transition Reserves:** Have deposits been made as required by HCD?	○ Yes	○ No	● N/A	
4. **Other Reserves (specify):** Have deposits been made as required by HCD?	○ Yes	○ No	● N/A	
5. **Reserve Accounts:** Are all Accounts insured by the Federal Government?	○ Yes	○ No	● N/A	
6. **Reserve Accounts:** Was HCD approval obtained prior to Account withdrawals?	○ Yes	○ No	● N/A	
7. **Security Deposit Account:** Balance equal to/greater than security deposit liability plus interest?	○ Yes	○ No	● N/A	