
**INTERFAITH COMMUNITY
SERVICES, INC.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Interfaith Community Services, Inc.
Escondido, California

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, 2021, and the related statements of activities, functional expenses 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.

Auditor's 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' judgement, 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 Organization'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 Organization'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, 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.

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 May 20, 2022, on our consideration of Interfaith Community Services, Inc.'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 Interfaith Community Services, Inc.'s internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of an opinion on the financial statements on the Organization taken as a whole. The accompanying information for CASAWorks Apartments 99-FMTW-010, statement of operations on page 38-39 and CASAWorks Apartments 99-FMTW-010, statement of cash flows on page 40, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matter – (Continued)

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.

The financial statements of Interfaith Community Services, Inc.'s as of June 30, 2020 and for the year then ended, was audited by another auditor who expressed an unmodified opinion on those statements on December 11, 2020.

Cambaliza McGee LLP

Cambaliza McGee LLP
Newport Beach, California
May 20, 2022

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
ASSETS:		
Cash	\$ 6,025,000	\$ 5,681,243
Grants and contracts receivable	3,582,190	1,908,201
Prepaid expenses and other current assets	322,570	287,716
Pledge receivable	743,150	-
Unamortized donated rent	74,280	100,198
Investments	12,128,460	10,038,663
Property and equipment, net of accumulated depreciation	24,831,910	16,102,313
TOTAL ASSETS	\$ 47,707,560	\$ 34,118,334
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 137,450	\$ 286,615
Accrued expenses	1,050,210	938,098
Accrued interest	654,260	634,265
Notes payable	7,753,200	5,340,162
TOTAL LIABILITIES	9,595,120	7,199,140
NET ASSETS:		
Without donor restrictions:		
Undesignated	26,040,393	16,640,606
Board designated long-term	4,246,063	4,246,063
Total without donor restrictions	30,286,456	20,886,669
With donor restrictions	7,825,984	6,032,525
TOTAL NET ASSETS	38,112,440	26,919,194
TOTAL LIABILITIES AND NET ASSETS	\$ 47,707,560	\$ 34,118,334

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT:				
Grant and contract revenue	\$ 20,485,620	\$ -	\$ 20,485,620	\$ 11,443,838
Contributions	5,501,331	2,119,239	7,620,570	6,354,924
In-kind donations	609,510	-	609,510	1,012,887
Rental income	738,320	-	738,320	761,836
Investment return	2,495,010	-	2,495,010	257,283
Other income	18,470	-	18,470	33,999
Net assets released from restrictions, satisfaction of program restrictions	325,780	(325,780)	-	-
TOTAL REVENUE AND SUPPORT	30,174,041	1,793,459	31,967,500	19,864,767
EXPENSES:				
PROGRAM SERVICES:				
Supportive services	4,730,733	-	4,730,733	3,975,356
Employment and economic development	898,193	-	898,193	1,204,175
Clinical	1,015,085	-	1,015,085	531,224
Housing & shelters	5,594,109	-	5,594,109	4,160,994
Recovery and wellness	4,997,645	-	4,997,645	4,660,036
Other community services	581,607	-	581,607	657,835
TOTAL PROGRAM SERVICES	17,817,372	-	17,817,372	15,189,620
SUPPORTING SERVICES:				
Management and general	2,005,591	-	2,005,591	1,857,636
Fundraising	951,291	-	951,291	848,933
TOTAL SUPPORTING SERVICES	2,956,882	-	2,956,882	2,706,569
TOTAL EXPENSES	20,774,254	-	20,774,254	17,896,189
INCREASE IN NET ASSETS	9,399,787	1,793,459	11,193,246	1,968,578
NET ASSETS - BEGINNING OF YEAR	20,886,669	6,032,525	26,919,194	24,950,616
NET ASSETS - END OF YEAR	\$ 30,286,456	\$ 7,825,984	\$ 38,112,440	\$ 26,919,194

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2020

	Program Services						Support Services			Total Functional Expenses	
	Supportive Services	Employment & Economic Development	Clinical	Housing & Shelter	Recovery & Wellness	Other Community Services	Total	Management and General	Fundraising		Total
Wages, salaries, contract labor and employee benefits	\$ 2,332,419	\$ 821,871	\$ 491,148	\$ 2,343,542	\$ 3,320,466	\$ 462,286	\$ 9,771,732	\$ 1,319,817	\$ 619,646	\$ 1,939,463	\$ 11,711,195
Living assistance	722,556	28,210	4,360	625,570	361,072	30,164	1,771,932	-	-	-	1,771,932
Training and employment assistance	138	186,762	162	578	152	18	187,810	-	-	-	187,810
Office	166,282	58,808	23,799	434,563	166,176	82,638	932,266	232,966	187,453	420,419	1,352,685
Depreciation	24,995	15,821	846	300,466	187,337	13,012	542,477	41,240	12,354	53,594	596,071
Interest	-	-	-	56,734	25,413	-	82,147	56,714	-	56,714	138,861
Operations and support services	682,537	74,781	3,920	344,307	564,444	52,538	1,722,527	20,613	11,924	32,537	1,755,064
Other	46,429	17,922	6,989	55,234	34,976	17,179	178,729	186,286	17,556	203,842	382,571
Total functional expenses	\$ 3,975,356	\$ 1,204,175	\$ 531,224	\$ 4,160,994	\$ 4,660,036	\$ 657,835	\$ 15,189,620	\$ 1,857,636	\$ 848,933	\$ 2,706,569	\$ 17,896,189
 % of total expense by activity	22.2%	6.7%	3.0%	23.3%	26.0%	3.7%	84.9%	10.4%	4.7%	15.1%	100.0%

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2021

	Program Services						Support Services			Total Functional Expenses	
	Supportive Services	Employment & Economic Development	Clinical	Housing & Shelter	Recovery & Wellness	Other Community Services	Total	Management and General	Fundraising		Total
Wages, salaries, contract labor and employee benefits	\$ 2,832,436	\$ 630,480	\$ 869,924	\$ 3,181,205	\$ 3,878,591	\$ 415,080	\$ 11,807,716	\$ 1,272,587	\$ 695,790	\$ 1,968,377	\$ 13,776,093
Living assistance	465,185	39,535	72,107	925,769	243,609	45,881	1,792,086	-	0,000	-	1,792,086
Training and employment assistance	2,802	128,451	26	859	-	400	132,538	-	-	-	132,538
Office	147,668	35,908	34,503	261,128	197,840	17,395	694,442	380,605	225,776	606,381	1,300,823
Depreciation	24,308	12,482	4,376	293,761	185,205	16,299	536,431	43,462	11,123	54,585	591,016
Interest	-	-	-	107,403	22,129	-	129,532	60,687	-	60,687	190,219
Operations and support services	1,215,130	43,075	18,845	738,644	412,357	40,679	2,468,730	19,185	9,077	28,262	2,496,992
Other	43,204	8,262	15,304	85,340	57,914	45,873	255,897	229,065	9,525	238,590	494,487
Total functional expenses	\$ 4,730,733	\$ 898,193	\$ 1,015,085	\$ 5,594,109	\$ 4,997,645	\$ 581,607	\$ 17,817,372	\$ 2,005,591	\$ 951,291	\$ 2,956,882	\$ 20,774,254
 % of total expense by activity	22.8%	4.3%	4.9%	26.9%	24.1%	2.8%	85.8%	9.7%	4.6%	14.2%	100.0%

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 11,193,246	\$ 1,968,578
Adjustments to reconcile increase in net assets to net assets provided by operating activities:		
Depreciation	591,016	596,071
Realized and unrealized gain on investments	(2,495,932)	(252,995)
Restricted grant paid to escrow	(6,000,000)	(53,518)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(1,673,989)	181,496
Prepaid expenses and other current assets	(34,854)	(46,204)
Pledge receivable	(743,150)	-
Unamortized rent	25,918	-
Accounts payable	(149,165)	81,762
Accrued expenses	112,112	176,970
Accrued interest	19,995	46,890
Net cash provided by operating activities	845,197	2,699,050
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(720,613)	(40,363)
Purchases of investments	-	(959,065)
Proceeds from sales of investments	406,135	419,187
Net cash used in investing activities	(314,478)	(580,241)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(186,962)	(223,830)
Proceeds from new long-term notes payable	-	1,819,500
Net cash (used in) provided by financing activities	(186,962)	1,595,670
NET INCREASE IN CASH	343,757	3,714,479
CASH, BEGINNING OF YEAR	5,681,243	1,966,764
CASH, END OF YEAR	\$ 6,025,000	\$ 5,681,243
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 170,224	\$ 91,971
Long-term debt incurred for the purchase of property and equipment	\$ 2,600,000	\$ -

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS - DIRECT METHOD
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Grant and contract revenue receipts	\$ 18,811,631
Contribution receipts	877,420
Rental income receipts	738,320
Other income receipts	18,470
Total receipts	<u>20,445,841</u>
Supportive services	4,290,760
Employment and economic development	875,560
Clinical	1,003,461
Housing & shelters	5,204,162
Recovery and wellness	4,777,212
Other community services	560,022
Management and general	1,962,129
Fundraising	927,338
Total disbursements	<u>19,600,644</u>
Net cash provided by operating activities	<u>845,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(720,613)
Proceeds from sales of investments	406,135
Net cash used in investing activities	<u>(314,478)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	(186,962)
Net cash used in provided by financing activities	<u>(186,962)</u>
NET INCREASE IN CASH	343,757
CASH, BEGINNING OF YEAR	<u>5,681,243</u>
CASH, END OF YEAR	<u><u>\$ 6,025,000</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 170,224</u>
Long-term debt incurred for the purchase of property and equipment	<u><u>\$ 2,600,000</u></u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE A - ORGANIZATION

Nature of Activities

Interfaith Community Services, Inc. ("Interfaith" or "Organization") empowers people in need to stabilize and improve their lives through comprehensive programs, in partnership with diverse faith communities and people of compassion. Interfaith offers an array of support for people in crisis who need to stabilize and rebuild their lives, providing a pathway towards self-sufficiency for over 17,000 individuals each year. From its origins in 1979 as a faith-supported community food pantry, Interfaith has grown to become the most comprehensive social services agency in North San Diego County, offering integrated, wrap-around services to thousands of community members each year, such as individuals experiencing homelessness, veterans, families, seniors, and low-income individuals. Interfaith's programs are organized into five areas: Self-Sufficiency and Supportive Services, Housing Services, Employment and Economic Development, Recovery and Wellness, and Clinical and Behavioral Health. Programs are designed to overlap to provide clients with access to as many resources as necessary for their individual situation.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants ("AICPA") "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Basis of Presentation – (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Functional Expenses

Functional expenses are those expenses incurred by the Organization in the accomplishment of its stated mission. The cost of providing the various program and other activities of the Organization have been summarized on a functional basis in the statements of activities and statement of functional expenses. These statements report expenses that are attributed to more than one program or supporting function.

Functional expenses are allocated using the Organization's approved cost allocation plan and are both the legal obligations of the Organization and allowable under governing cost principles. These costs include labor and fringe benefits, utilities, legal/accounting, insurance, depreciation, and other miscellaneous costs. Personnel expenses are allocated based on auditable time records that reflect the actual activities of employees.

Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amount and disclosures. Accordingly, actual results could differ from those estimates.

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 GAAP. 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value Measurements – (Continued)

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 payable approximate fair value as of June 30, 2021, 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.

Grants and Contracts Receivable

The grants and contracts receivable arise in the normal course of operations. It is the policy of management to review the outstanding receivable 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 as of June 30, 2021 and 2020, 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 F. 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.

Investments

The Organization has investments held by the Jewish Community Foundation of San Diego, which are invested in various pools and are valued at the Organization's percentage interest in the total pools. As of June 30, 2021 and 2020, these pools included domestic and international equities, domestic and international fixed income, and other investments.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Investments – (Continued)

All investments have been recorded at fair market value 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 is determined by investment managers in good faith using appropriate methods and are subject to oversight and review by the management of the Jewish Community Foundation of San Diego. Realized and unrealized gains and losses on investments are included in the change in net assets in the statements 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 from five to thirty-nine years.

Grant and Contract Revenue

Revenue from grants and contracts are recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant and contract authorized. Grants are evaluated as to whether they qualify as exchange transactions or contributions. As the grantor is not receiving a benefit as a result of these transactions, the grant and contract are considered to be contributions to the Organization. The grant and contract agreements contain spending requirements. As these stipulations create a barrier that must be achieved, grants and contract agreements are therefore recognized as revenue when costs are incurred and specific requirements are met, as required by the agreements.

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 expensed 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 GAAP criteria as contributions and are, therefore, not recognized in the financial statements.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Income Taxes

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

All tax-exempt Organizations 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 organization under Internal Revenue Code Section and applicable state statutes.

As of June 30, 2021, the federal statute of limitations remains open for the 2018 through 2021 tax years. The statute of limitations for the state income tax returns remains open for the 2017 through 2021 tax years.

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The provisions of this ASU require accounting for operating leases in the statement of financial position. The provisions in this ASU are effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of adopting this ASU.

Recently Adopted Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The revenue recognition standard eliminates the transaction and industry-specific revenue recognition guidance under current GAAP and replaces it with a principle-based approach for determining revenue recognition. The core principle of the revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The Organization adopted the provisions of ASU 2014-09 effective July 1, 2020 which did not have material effects on net assets with or without donor restrictions.

NOTE C - 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE D - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2021	2020
Other accounts receivable	\$ 119,830	\$ 25,816
Prepaid software	99,030	77,442
Prepaid insurance	66,830	38,180
Deposits and prepaid rent	36,880	146,278
	<u>36,880</u>	<u>146,278</u>
Total prepaid expenses and other current assets	<u>\$ 322,570</u>	<u>\$ 287,716</u>

NOTE E - UNAMORTIZED DONATED RENT

In January 2014, the Organization entered into a ten-year agreement to provide Veterans' services in exchange for free rent at 1617 Mission Avenue, Oceanside, CA. This agreement expires on January 30, 2024. The Organization began providing services at this location on April 1, 2014. The unamortized donated rent of \$74,280 represents the fair market value of the rent for the remaining 31 months of this agreement discounted by five percent.

NOTE F - PROMISES TO GIVE

During the year ended June 30, 2021, the Organization received a \$1,000,000 pledge related to the acquisition of property and improvements located at 555 North Centre City Parkway, Escondido, California.

The Organization has collected \$200,000 of the amount pledged as of June 30, 2021. Details of the remaining Pledge Receivable is as follows:

Pledge Receivable as of June 30, 2021	\$ 800,000
Less: Discount to present value	(56,850)
	<u>743,150</u>
Less: Current portion of campaign pledges	(177,698)
Long-term portion of campaign pledges	<u>\$ 565,452</u>

Scheduled payments are as follows for years ended June 30:

2022	\$ 177,698
2023	183,028
2024	188,519
2025	193,905
	<u>\$ 743,150</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE G - INVESTMENTS

The Organization's Level 2 investments consist of endowment and long-term investment funds held by the Jewish Community Foundation of San Diego in balanced pool portfolios that include primarily publicly traded securities. The Organization has variance power over the funds. The pooled investments are categorized as Level 2 because they have direct observable inputs.

The following table summarizes the valuation of the Organization's investments in accordance with authoritative fair value guidance as of June 30, 2021:

	Level 1	Level 2	Total
Domestic equities	\$ -	\$ 3,735,566	\$ 3,735,566
International equities	-	4,147,936	4,147,936
Domestic fixed income	-	3,735,562	3,735,562
International fixed income	-	97,028	97,028
Other	-	412,368	412,368
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 12,128,460</u>	<u>\$ 12,128,460</u>

The following table summarizes the valuation of the Organization's investments in accordance with authoritative fair value guidance as of June 30, 2020:

	Level 1	Level 2	Total
Domestic equities	\$ -	\$ 1,636,302	\$ 1,636,302
International equities	-	4,236,317	4,236,317
Domestic fixed income	-	3,232,449	3,232,449
International fixed income	-	582,242	582,242
Other	-	351,353	351,353
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 10,038,663</u>	<u>\$ 10,038,663</u>

Investment return consisted of the following for the years ended June 30:

	2021	2020
Interest and dividends	\$ 191,872	\$ 244,653
Realized and unrealized gains and losses	2,343,007	46,190
Investment fees	(38,947)	(33,560)
	<u> </u>	<u> </u>
Total	<u>\$ 2,495,932</u>	<u>\$ 257,283</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2021	2020
Construction in progress	\$ 10,000	\$ 23,922
Land	10,401,000	6,038,870
Buildings	20,343,260	15,473,089
Leasehold improvements	632,820	632,822
Furniture and equipment	797,420	766,449
Software	54,840	54,845
Vehicles	328,220	256,948
	<u>32,567,560</u>	<u>23,246,945</u>
Less: accumulated depreciation	<u>(7,735,650)</u>	<u>(7,144,632)</u>
	<u>\$ 24,831,910</u>	<u>\$ 16,102,313</u>

Depreciation expense was \$591,016 and \$596,071 for the years ended June 30, 2021 and 2020, respectively.

NOTE I - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflect the Organization's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021	2020
Cash	\$ 6,025,000	\$ 5,681,243
Investments	12,128,460	10,038,663
Grant and contracts receivable	3,582,190	1,908,201
Pledge receivable, current portion	177,698	-
Prepaid expenses and other current assets	322,570	287,716
Unamortized donated rent	74,280	100,198
Financial assets available within one year	<u>22,310,198</u>	<u>18,016,021</u>
Less: those unavailable for general expenditures within one year due to:		
Restricted by donors in perpetuity	(5,482,843)	(5,482,843)
Restricted by donors in purpose or time	<u>(2,343,141)</u>	<u>(549,682)</u>
Total amounts unavailable for general expenditures within one year	<u>(7,825,984)</u>	<u>(6,032,525)</u>
Amounts unavailable to management without Board's approval:		
Board designated long-term investments	<u>(4,246,063)</u>	<u>(4,246,063)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 10,238,151</u>	<u>\$ 7,737,433</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE J - LINE OF CREDIT

The Organization has a line of credit with First Citizens Bank in the amount of \$500,000 that is secured by all personal property of the Organization. Interest is payable monthly at the greater of 1.0% above the Wall Street Journal's prime rate (4.25% at June 30, 2021) or the floor rate of 4.25%. The line of credit expires on July 14, 2022. The Organization had no outstanding balance as of June 30, 2021 and 2020.

NOTE K - NOTES PAYABLE

Notes payable as of June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to First Citizens Bank in monthly payments of \$11,390 including interest at 3.25% per annum, secured by real property, due August 2035.	\$ 647,150	\$ 713,310
Note payable to the City of Escondido for \$443,000 secured by real property, Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Home Project provides positive cash flow. There were no required payments made during the year ended June 30, 2021.	443,000	443,000
Note payable to City of Escondido for \$450,000, secured by real property, due June 2072. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Home Project II provides positive cash flow. There were no required payments made during the year ended June 30, 2021.	450,000	450,000
Note payable to Union Bank in monthly payments of \$3,182 including interest at 4.50% per annum, secured by real property, due July 20, 2025.	144,702	175,620

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE K - NOTES PAYABLE - (CONTINUED)

<p>Note payable to First Citizens Bank secured by real property, 1820 S. Escondido Blvd., due June 5, 2033. Monthly payments of principal and interest at 4.75% per annum.</p>	1,021,679	1,087,131
<p>Note payable to the City of Oceanside ("City") for \$350,000, secured by real property, due December 2065. The City recorded a deed of trust that is subordinate to Wells Fargo Bank, N.A. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Garfield Program provides positive cash flow. There were no required payments made during the year ended June 30, 2021.</p>	350,000	350,000
<p>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. There were no required payments made during the year ended June 30, 2021.</p>	245,000	245,000
<p>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.</p>	-	8,400
<p>Mortgage payable to PrinsBank in monthly payments of \$845 including adjustable rate interest of 0.50% above bank prime rate (3.75% at June 30, 2021) secured by real property due June 2025.</p>	38,662	48,201

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE K - NOTES PAYABLE - (CONTINUED)

Note payable to First Citizens Bank secured by real property, 555 N. Centre City Pkwy., due October 20, 2036. Monthly payments of principal and interest at 3.10% per annum.	2,593,507	-
Note payable to First Citizens Bank. This is a PPP loan, interest rate of 1%. Principal and interest due May 2022. Management will seek forgiveness for this loan during fiscal year 2022.	<u>1,819,500</u>	<u>1,819,500</u>
	<u>\$ 7,753,200</u>	<u>\$ 5,340,162</u>

Future principal payments on notes payable for the year ending June 30,

2022	\$ 5,000,214
2023	146,705
2024	155,748
2025	158,045
2026	123,192
Thereafter	<u>2,169,296</u>
Total	<u><u>\$ 7,753,200</u></u>

Notes payable contain certain financial and non-financial covenants for which the Organization was in compliance as of June 30, 2021.

NOTE L – PAYCHECK PROTECTION PROGRAM

There are two acceptable methods for accounting for Paycheck Protection Program (“PPP”) proceeds received under the Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act). Entities can elect to treat the PPP proceeds as a loan payable. Loan forgiveness will be recognized when the conditions for loan forgiveness are met and the forgiveness amount is formally approved by the bank and the U.S. Small Business Administration (“SBA”).

In May 2020, the Organization received a \$1,819,500 loan, pursuant to the CARES Act PPP. Neither principle nor interest was due for a six-month deferral period through November 2020, at which time monthly payments of principal and interest would commence. All unpaid principal and interest would be due at maturity in May 2022.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE M - COMMITMENTS

The Organization has various copier leases requiring aggregate monthly lease payments of \$3,059 with various maturity dates through March 2026. Total lease expense was \$27,885 and \$21,528 for the years ended June 30, 2021 and 2020, respectively.

The Organization leases warehouse space which expires August 2022. The monthly lease payment was \$4,271. Total Lease expense was \$49,931 and \$4,271 for the years ended June 30, 2021 and 2020, respectively.

The Organization leases office space which expires November 2024. The monthly lease payment was \$2,094. Total lease expense was \$25,124 and \$14,655 for the years ended June 30, 2021 and 2020.

In July 2021, the Organization entered into a lease agreement for office space which expires June 2022. The monthly lease payment is \$3,534 over the lease term.

Future minimum lease payments under operating leases as of June 30, 2021, are due as follows for the year ending June, 30:

2022	\$ 142,255
2023	56,566
2024	44,391
2025	25,945
2026	<u>9,878</u>
Total	<u>\$ 279,035</u>

NOTE N - CONTINGENCIES

Grants and Contracts

The Organization receives a significant portion of its revenue 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE N – CONTINGENCIES – (CONTINUED)

Repayment Contingency

The Organization received a contribution of \$463,907 in 2003 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 operations or the financial position of the Organization.

NOTE O – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Purpose Restrictions:		
Transitional Youth Academy	\$ 53,211	\$ 43,124
Veteran Services	196,826	247,299
Capital Acquisition	1,063,099	50,000
Employment Services	31,711	43,307
Immigration	17,265	18,413
Housing Assistance	63,186	47,341
Rental Assistance	14,432	-
Racial Justice	5,091	-
Covid Relief	80,887	-
Time Restrictions:		
Promises to give	743,420	-
Unamortized Rent	74,013	100,198
	<u>\$ 2,343,141</u>	<u>\$ 549,682</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE P – 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 year ended June 30, 2021 and 2020, the Organization contributed at a rate of 1% employer contribution and a 1% employer match. The total employer contributions to the Plan for the years ended June 30, 2021 and 2020, were \$182,770 and \$139,014, respectively.

NOTE Q – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT

The Organization's donor-restricted endowment consist of pooled funds at the Jewish community Foundation of San Diego and is established for a variety of purposes, including to serve children's needs and those of their families. As required by GAAP, 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 classified endowment as net assets with donor restrictions (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 net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner that is consistent in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 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 effects of inflation and deflation.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE Q – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT – (CONTINUED)

- 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.

As of June 30, 2021, the endowment net asset composition by type of fund, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment funds	\$ 1,200,503	\$ 5,482,843	\$ 6,683,346

As of June 30, 2020, the endowment net asset composition by type of fund, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment funds	\$ 96,506	\$ 5,482,843	\$ 5,579,349

Changes in endowment net assets for the year ended June 30, 2021, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning of year	\$ 96,506	\$ 5,482,843	\$ 5,579,349
Activity:			
Interest and dividends	106,239	-	106,239
Realized and unrealized gains	1,299,290	-	1,299,290
Investment expense	(21,688)	-	(21,688)
Appropriations	(279,844)	-	(279,844)
Net activity	1,103,997	-	1,103,997
Endowment net assets, end of year	\$ 1,200,503	\$ 5,482,843	\$ 6,683,346

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE Q – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT – (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2020, consisted of the following:

	Without donor	With donor Restrictions	Total
Endowment net assets, beginning of year	\$ 209,206	\$ 5,482,843	\$ 5,692,049
Activity:			
Interest and dividends	148,168	-	148,168
Realized and unrealized gain:	27,754	-	27,754
Investment expense	(20,746)	-	(20,746)
Appropriations	(267,876)	-	(267,876)
Net activity	(112,700)	-	(112,700)
Endowment net assets, end of year	\$ 96,506	\$ 5,482,843	\$ 5,579,349

Return Objectives and Risk Parameters

The Organization had 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).

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE Q – NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT – (CONTINUED)

Spending Policy

The Organization has a policy of appropriating for distribution annually an amount equal to 5% of the average investment accounts balances as of the last twelve-quarter ending values. 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 R – 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 by unspecified period of time.

These funds are invested in a manner similar to the net assets with donor restrictions endowment. All earnings related to the board designated long-term funds are recorded in the undesignated net asset balance.

The Board designated long-term investments balance was \$4,246,063 as of June 30, 2021 and 2020.

NOTE S – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 20, 2022, which is the date the financial statements were available to be issued.

On July 31, 2021, Interfaith received full forgiveness from the Small Business Administration on the Organization's note payable through the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Interfaith Community Services, Inc., under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Interfaith Community Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Interfaith Community Services, Inc.

NOTE B - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through Organization identifying numbers are presented where available.

NOTE C - INDIRECT COST RATE

Interfaith Community Services, Inc. is using agreed upon indirect cost rates stipulated in its contracts and has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Federal/Pass-Through Grantor/Program/Cluster Title	Federal CFDA Number	Contract Number	Total Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct programs:				
Continuum of Care Program - Path to Permanence	14.267	CA1693L9D011902	\$ 132,375	\$ -
Continuum of Care Program - Raymond's Refuge	14.267	CA0944L9D011910	100,843	-
Continuum of Care Program - Rental Assistance Program	14.267	CA1253L9D011906	274,199	-
Continuum of Care Program - Home Now	14.267	CA1601L9D011903	240,182	-
Pass-through from Community Housing Works:				
Continuum of Care Program - CHW		CA0703L9D01191	115,466	-
		CA0709L9D011912		
	14.267	CA1025L9D011905		
Pass-through from County of San Diego via Mental Health Systems:				
Continuum of Care Program - Shelter Plus Care	14.267	CA693L9D011811	211,796	-
Emergency Solutions Grant Program	14.231	561438	508,377	-
Passed through to Catholic Charities	14.231	561438	72,852	72,852
Emergency Solutions Grant Program Cares	14.231	56379	309,000	-
Pass-through from City of Escondido:				
Emergency Solutions Grant Program	14.231	E-20-MW-06-0552	148,300	-
Emergency Solutions Grant Program Cares	14.231	E-20-MW-06-0552	270,710	-
Pass through from City of Carlsbad:				
CDBG - Coastal Services	14.218	B20MC060563	420,172	-
Pass through from City of Carlsbad:				
CDBG - San Marcos Rental Assistance	14.218	6455	180,112	-
Pass-through from County of San Diego				
CDBG - County	14.218	561532-3183	35,331	-
Pass-through from City of Escondido via Alliance for Regional solutions				
CDBG - Winter Shelter - Haven House	14.218	N/A	45,000	-
Pass-through from City of Encinitas via Alliance for Regional solutions				
CDBG - Winter Shelter - Haven House	14.218	N/A	43,824	-
			3,108,539	72,852
<u>U.S. Department of Labor</u>				
Direct program:				
Pass-through from San Diego Workforce Partnership:				
WIOA Youth Activities - TYA WIOA	17.259	193-33	314,852	-
Passed through to Mira Costa	17.259	193-33	20,790	20,790
Pass-through from California Employment Develop. Dept.:				
WIA Adult Program - VEAP	17.258	K9113153 & AA111066	235,186	-
			570,828	20,790

See accompanying notes to Schedule of Federal Awards and independent auditor's report.

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal/Pass-Through Grantor/Program/Cluster Title (Continued)	Federal CFDA Number	Contract Number	Total Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
Pass-through from County of San Diego:				
CSBG - Communities in Action - Inland	93.569	557909	261,804	-
Passed through to Escondido Education COMPACT	93.569	557909	24,436	24,436
Recovery and Wellness Residential Treatment	93.959	559478	2,708,182	-
Federal/Pass-Through Grantor/Program/Cluster Title - (Continued)				
Recovery and Wellness Outpatient Treatment	93.959	559501	999,093	-
National family Caregiver Support - Minor Home Repair	93.052	553161	40,805	-
			4,034,320	24,436
<u>Department of Homeland Security</u>				
Pass-through from catholic Charities:				
Emergency food and Shelter National Board Program	97.024	EFSP Phase 37 (cares)	85,997	-
EFSP FEMA	97.024	EFSP Phase 38	22,689	-
			108,686	-
<u>U.S. Department of Treasury</u>				
Volunteer Income Tax Assistance	21.009	21VITA0181	65,924	-
			65,924	-
<u>U.S. Department of Veteran Affairs</u>				
Direct Programs:				
VA Homeless Providers Grant & Per Diem Program - Oceanside SITH	64.024	ICSI714-0841-664-SI-19CA	111,065	-
VA Homeless Providers Grant & Per Diem Program - Recuperative Beds	64.024	VA262-12-D-0144	496,461	-
VA Homeless Providers Grant & Per Diem Program - Bridge Housing	64.024	ICSI714-0325-664-BH-18-0	430,344	-
VA Homeless Providers Grant & Per Diem Program - Bridge Housing	64.024	36C26220D0054	161,550	-
			1,199,420	-
Total Expenditures of Federal Awards			\$ 9,087,717	\$ 118,078

See accompanying notes to Schedule of Federal Awards and independent auditor's report.



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., (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2022.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interfaith Community Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cambaliza McGee LLP
Newport Beach, California
May 20, 2022



Cambaliza McGee LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Interfaith Community Services, Inc.'s, (a non-profit organization) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Interfaith Community Services, Inc.'s major federal programs for the year ended June 30, 2021. Interfaith Community Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Interfaith Community Services, Inc.'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 Interfaith Community Services, Inc.'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 Interfaith Community Services, Inc.'s compliance.

Opinion of Each Major Federal Program

In our opinion, Interfaith Community Services, Inc., 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, 2021.

Report on Internal Control over Compliance

Management of Interfaith Community Services, Inc. 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 Interfaith Community Services, Inc.'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 the Uniform Guidance, 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 Interfaith Community Services, Inc.'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control over Compliance – (Continued)

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cambaliza McGee LLP

Cambaliza McGee LLP
Newport Beach, California
May 20, 2022

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on whether financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Any noncompliance material to the financial statements noted No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) No

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
93.959	Recovery and Wellness	\$ 3,707,275
93.231	Emergency Solutions Grant Program	1,309,239
64.024	VA Homeless providers grant	1,199,420
14.267	Continuum of Care	<u>1,074,861</u>
	Total expenditures of All Major Federal Programs	<u>\$ 7,290,795</u>
	Total Expenditures of Federal Awards	<u>\$ 9,087,717</u>
	Percentage of Total Expenditures of Federal Awards	<u>80%</u>

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Dollar threshold used to distinguish between type A and type B program	\$ 750,000
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Auditee qualified as low-risk auditee under section 200.520?	Yes
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Section II - CURRENT YEAR FINDINGS

A. Current Year Findings - Financial Statement Audit

No financial statement findings in the current year.

B. Current Year Findings and Questioned Costs - Major Federal Award Program Audits

No Current Year Findings or Questioned Costs.

Section III - PRIOR YEAR FINDINGS

A. Prior Year Findings - Financial Statement Audit

No financial statement findings in the prior year.

B. Prior Year Findings and Questioned Costs - Major Federal Award Program Audit

No prior year findings or questioned costs.

**INTERFAITH COMMUNITY SERVICES, INC.
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

**CASAWorks Apartments
99-FMTW-010
Statement of Operations
For The Year Ended June 30, 2021**

Acct No.		
	Rent Revenue:	
5120	Rent Revenue	\$ 87,637
5121	Tenant Assistance Payments	4,118
5100T	Total Rent Revenue	\$ 91,755
5152N	Net Rental Revenues (Rent Revenue Less Vacancies)	\$ 91,755
	Other Revenue:	
5910	Laundry and Vending Revenue	\$ 742
5900T	Total Other Revenue	\$ 742
5000T	Total Revenue	\$ 92,497
	Administrative Expenses:	
6204	Management Consultants	\$ 634
6250	Other Renting Expenses	-
6310	Office Salaries	1,990
6311	Office Expenses	1,037
6330	Manager or Superintendent Salaries	12,041
6340	Legal Expense - Project	81
6390	Misc. Administrative Expenses	721
6263T	Total Administrative Expenses	\$ 16,504
	Utilities Expenses:	
6450	Electricity	\$ 3,621
6451	Water	8,481
6400T	Total Utilities Expenses	\$ 12,102
	Operating and Maintenance Expenses:	
6510	Payroll	\$ 2,779
6515	Supplies	1,238
6520	Contracts	6,979
6525	Garbage and Trash Removal	3,972
6546	Heating/Cooling Repairs and Maintenance	-
6570	Vehicle & Maint Equip Operation/Repairs	2,162
6580	Lease Expense	-
6590	Misc. Operating & Maintenance Exp.	-
6500T	Total Operating & Maintenance Exp.	\$ 17,130
	Taxes and Insurance:	
6710	Real Estate Taxes	\$ 83
6711	Payroll Taxes (Project's Share)	1,803
6720	Property & Liability Insurance (Hazard)	2,730
6721	Fidelity Bond Insurance	-

**INTERFAITH COMMUNITY SERVICES, INC.
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

**CASAWorks Apartments
99-FMTW-010
Statement of Operations - (Continued)
For The Year Ended June 30, 2021**

Acct No.		
6722	Worker's Compensation	660
6723	Health Ins. & Other Employee Benefits	6,042
6790	Misc. Taxes, Licenses, Permits and Ins.	138
6700T	Total Taxes and Insurance	\$ 11,456
	Supportive Services Exp.	
6990	Salaries - Client Case Management - HUD - Continuum of Care Grant	\$ 2,235
6990	Client Supportive Services - Other - Daycare, Employment, Lifeskills, Etc	-
6900T	Total Supportive Services Expenses	\$ 2,235
6000	Total Cost of Operations before Depreciation	\$ 59,427
5060	Profit (Loss) before Depreciation	\$ 33,070
6600	Depreciation	\$ 13,192
5060N	Operating Profit (Loss)	\$ 19,878
7100T	Net Entity Expenses	\$ -
3250	Change in Total Net Assets from Operations	\$ 19,878
Acct No.		
S1000-10	Total principal payments during audit period.	-
S1000-20	Total of all monthly reserve for replacement deposits.	-
S1000-30	Replacement Reserves, or Residual Receipts and Releases which are included in expense items.	-
S1000-40	Project improvement Reserves which are included as expense items.	-

**INTERFAITH COMMUNITY SERVICES, INC.
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

**CASAWorks Apartments
99-FMTW-010
Statement of Cash Flow
For The Year Ended June 30, 2021**

Acct No.

Cash Flow from Operating Activities

S1200-010	Rental Receipts	\$ 91,755
S1200-030	Other Operating Receipts	742
S1200-050	Administrative	(2,473)
S1200-090	Utilities	(12,102)
S1200-100	Salaries and Wages	(19,045)
S1200-110	Operating and Maintenance	(14,351)
S1200-120	Real Estate Taxes	(83)
S1200-140	Property Insurance	(2,730)
S1200-150	Miscellaneous Taxes and Insurance	(8,643)
S1200-170	Other Operating Expenses	-
S1200-240	Net Cash Provided (Used) by Operating Activities	<u>\$ 33,070</u>

Cash Flow from Investing Activities

S1200-250	Net Deposits to the Reserve for Replacement account	\$ 3,408
S1200-255	Net Deposits to Other Reserves	1,783
S1200-260	Net Deposits to Residual Receipts account	-
S1200-330	Net Purchases of Fixed Assets	-
S1200-350	Net Cash Provided (Used) by Investing Activities	<u>\$ 5,191</u>

Cash Flow from Financing Activities

S1200-360	Principal Payments - Mortgage	\$ -
S1200-420	Distributions	-
S1200-430	Contributions	-
S1200-450	Other Financing Activities	-
S1200-460	Net Cash Provided (Used) by Financing Activities	<u>\$ -</u>

Net Increase (Decrease) in Cash & Cash Equivalents:

\$ 27,879