
**INTERFAITH COMMUNITY
SERVICES, INC.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Interfaith Community Services, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Community Services, Inc., as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Emphasis of Matter – Change in Accounting Principle

As discussed in Note B to the financial statements, the Organization changed its method of accounting for leases on July 1, 2022 due to the adoption of Accounting Standards Codification ("ASC") 842, Leases. Our conclusion is not modified with respect to this matter.

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.

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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 GAAS. 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 April 1, 2024, 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 42-43 and CASAWorks Apartments 99-FMTW-010, statement of cash flows on page 44, 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.



Cambaliza McGee LLP
Newport Beach, California
April 1, 2024

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash	\$ 1,111,148	\$ 3,455,944
Grants and contracts receivable	3,720,883	4,347,143
Prepaid expenses and other current assets	370,540	559,454
Pledge receivable - short term portion	371,548	377,204
Unamortized donated rent	17,556	46,488
	<u>5,591,675</u>	<u>8,786,233</u>
TOTAL CURRENT ASSETS		
NON-CURRENT ASSETS:		
Investments	10,777,164	10,021,450
Pledge receivable - long term portion	194,175	188,519
Operating lease right-of-use assets, net	375,621	-
Property and equipment, net of accumulated depreciation	21,369,572	17,966,023
Construction in progress	1,447,032	204,316
Land	10,401,000	10,401,000
	<u>44,564,564</u>	<u>38,781,308</u>
TOTAL NON-CURRENT ASSETS		
TOTAL ASSETS		
	<u>\$ 50,156,239</u>	<u>\$ 47,567,541</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Lines of credit	\$ 2,756,206	\$ -
Accounts payable	340,211	321,999
Accrued expenses	1,237,933	1,301,649
Accrued interest	674,446	654,373
Deferred Revenue	969,853	394,601
Operating lease liabilities - current portion	137,753	-
Notes payable - current portion	155,748	146,705
	<u>6,272,150</u>	<u>2,819,327</u>
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES:		
Notes payable - long-term portion	2,880,712	3,044,325
Operating lease liabilities - long-term portion	241,873	-
	<u>3,122,585</u>	<u>3,044,325</u>
TOTAL LONG-TERM LIABILITIES		
	<u>9,394,735</u>	<u>5,863,652</u>
TOTAL LIABILITIES		
NET ASSETS:		
Without donor restrictions:		
Undesignated	29,967,262	30,984,498
Board designated long-term	4,246,063	4,246,063
	<u>34,213,325</u>	<u>35,230,561</u>
Total without donor restrictions		
With donor restrictions	6,548,179	6,473,328
	<u>40,761,504</u>	<u>41,703,889</u>
TOTAL NET ASSETS		
	<u>\$ 50,156,239</u>	<u>\$ 47,567,541</u>
TOTAL LIABILITIES AND NET ASSETS		

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
REVENUE AND SUPPORT:				
Grant and contract revenue	\$ 16,792,560	\$ -	\$ 16,792,560	20,293,127
Contributions	4,941,798	656,586	5,598,384	6,325,821
In-kind donations	471,846	-	471,846	686,697
Rental income	785,126	-	785,126	778,721
Investment return, net	1,080,827	-	1,080,827	(1,661,773)
PPP loan forgiveness	-	-	-	1,841,932
Other income	9,547	-	9,547	15,143
Net assets released from restrictions, satisfaction of program restrictions	581,735	(581,735)	-	-
TOTAL REVENUE AND SUPPORT	24,663,439	74,851	24,738,290	28,279,668
EXPENSES:				
PROGRAM SERVICES:				
Supportive services	4,073,519	-	4,073,519	3,618,996
Employment and economic development	1,059,183	-	1,059,183	841,323
Clinical	1,624,334	-	1,624,334	1,348,708
Housing & shelters	6,432,088	-	6,432,088	8,648,896
Recovery and wellness	7,425,448	-	7,425,448	5,782,748
Other community services	906,793	-	906,793	842,018
TOTAL PROGRAM SERVICES	21,521,365	-	21,521,365	21,082,689
SUPPORTING SERVICES:				
Management and general	2,911,665	-	2,911,665	2,456,228
Fundraising	1,247,645	-	1,247,645	1,149,302
TOTAL SUPPORTING SERVICES	4,159,310	-	4,159,310	3,605,530
TOTAL EXPENSES	25,680,675	-	25,680,675	24,688,219
(DECREASE) INCREASE IN NET ASSETS	(1,017,236)	74,851	(942,385)	3,591,449
NET ASSETS - BEGINNING OF YEAR	35,230,561	6,473,328	41,703,889	38,112,440
NET ASSETS - END OF YEAR	\$ 34,213,325	\$ 6,548,179	\$ 40,761,504	\$ 41,703,889

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2023

	Program Services						Support Services			Total Functional Expenses	
	Supportive Services	Employment and Economic Development	Clinical	Housing and Shelter	Recovery and Wellness	Other Community Services	Total	Management and General	Fundraising		Total
Wages, salaries, contract labor and employee benefits	\$ 2,164,018	\$ 723,034	\$ 1,416,957	\$ 3,548,498	\$ 5,543,726	\$ 678,399	\$ 14,074,632	\$ 2,006,604	\$ 916,286	\$ 2,922,890	\$ 16,997,522
Living assistance	398,322	62,293	65,326	977,012	383,151	95,935	1,982,039	-	-	-	1,982,039
Training and employment assistance	5,085	85,071	13,000	-	2,394	-	105,550	-	314	314	105,864
Office	145,847	61,242	73,999	246,568	258,429	21,506	807,591	322,454	261,869	584,323	1,391,914
Depreciation	29,633	24,895	2,712	262,943	129,300	30,981	480,464	133,072	3,382	136,454	616,918
Interest	-	-	-	49,826	108,864	-	158,690	30,075	-	30,075	188,765
Operations and support services	1,289,070	89,611	33,138	1,258,577	910,299	59,003	3,639,698	39,301	565	39,866	3,679,564
Other	41,544	13,037	19,202	88,664	89,285	20,969	272,701	380,159	65,229	445,388	718,089
Total functional expenses	\$ 4,073,519	\$ 1,059,183	\$ 1,624,334	\$ 6,432,088	\$ 7,425,448	\$ 906,793	\$ 21,521,365	\$ 2,911,665	\$ 1,247,645	\$ 4,159,310	\$ 25,680,675
 % of total expense by activity	 15.9%	 4.1%	 6.3%	 25.0%	 28.9%	 3.5%	 83.8%	 11.3%	 4.9%	 16.2%	 100.0%

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED
JUNE 30, 2022

	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	\$ 1,944,433	\$ 591,636	\$ 1,198,759	\$ 4,026,884	\$ 4,458,157	\$ 568,288	\$ 12,788,157	\$ 1,750,646	\$ 847,070	\$ 2,597,716	\$ 15,385,873
Living assistance	440,661	39,190	40,967	919,287	256,055	86,190	1,782,350	-	-	-	1,782,350
Training and employment assistance	1,849	101,541	-	1,460	5,552	-	110,402	-	-	-	110,402
Office	158,642	50,262	67,077	288,057	193,446	18,851	776,335	365,668	275,093	640,761	1,417,096
Depreciation	25,729	20,048	2,699	269,009	193,244	19,236	529,965	51,703	3,135	54,838	584,803
Interest	-	-	-	76,230	20,725	-	96,955	33,799	-	33,799	130,754
Operations and support services	1,008,882	29,541	23,366	2,939,884	606,620	46,923	4,655,216	33,841	1,356	35,197	4,690,413
Other	38,800	9,105	15,840	128,085	48,949	102,530	343,309	220,571	22,648	243,219	586,528
Total functional expenses	\$ 3,618,996	\$ 841,323	\$ 1,348,708	\$ 8,648,896	\$ 5,782,748	\$ 842,018	\$ 21,082,689	\$ 2,456,228	\$ 1,149,302	\$ 3,605,530	\$ 24,688,219
 % of total expense by activity	 14.7%	 3.4%	 5.5%	 35.0%	 23.4%	 3.4%	 85.4%	 9.9%	 4.7%	 14.6%	 100.0%

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (942,385)	\$ 3,591,449
Adjustments to reconcile increase (decrease) in net assets to net assets provided by operating activities:		
Depreciation	616,918	584,803
Realized and unrealized (gain) loss on investments, net	(788,995)	1,664,975
Proceeds from forgiveness of PPP loan	-	(1,819,500)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	626,260	(764,953)
Prepaid expenses and other current assets	188,915	(236,884)
Pledge receivable	(1)	177,427
Unamortized rent	28,932	27,792
Right-of-use asset operating leases	(375,621)	-
Increase (decrease) in:		
Accounts payable	18,212	184,549
Accrued expenses	(63,716)	251,439
Deferred revenue	575,252	394,601
Accrued interest	20,073	113
Right-of-use liability operating leases	379,626	-
Net cash provided by operating activities	283,470	4,055,811
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,263,183)	(4,324,232)
Purchases of investments	(75,000)	-
Reinvested interest and dividends	(286,031)	-
Proceeds from sales of investments	394,312	442,035
Net cash used in investing activities	(5,229,902)	(3,882,197)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(154,570)	(2,742,670)
Borrowing from lines of credit, net	2,756,206	-
Net cash provided by (used in) financing activities	2,601,636	(2,742,670)
NET DECREASE IN CASH	(2,344,796)	(2,569,056)
CASH, BEGINNING OF YEAR	3,455,944	6,025,000
CASH, END OF YEAR	\$ 1,111,148	\$ 3,455,944
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 168,692	\$ 130,641

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENTS OF CASH FLOWS - DIRECT METHOD
FOR THE YEARS ENDED JUNE 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grant and contract revenue receipts	\$ 17,418,820	\$ 19,528,174
Contribution receipts	5,604,040	6,503,248
Rental income receipts	785,126	778,721
Investment return receipts	1,366,858	-
Other income receipts	<u>9,547</u>	<u>15,143</u>
Total receipts	<u>25,184,391</u>	<u>26,825,286</u>
Supportive services	4,043,886	3,593,267
Employment and economic development	1,034,288	821,275
Clinical	1,621,622	1,346,009
Housing & shelters	6,119,319	7,045,946
Recovery and wellness	7,213,213	5,589,504
Other community services	875,812	822,782
Management and general	2,748,518	2,404,525
Fundraising	<u>1,244,263</u>	<u>1,146,167</u>
Total disbursements	<u>24,900,921</u>	<u>22,769,475</u>
Net cash provided by operating activities	<u>283,470</u>	<u>4,055,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,263,183)	(4,324,232)
Purchases of investments	(75,000)	-
Reinvested interest and dividends	(286,031)	-
Proceeds from sales of investments	<u>394,312</u>	<u>442,035</u>
Net cash used in investing activities	<u>(5,229,902)</u>	<u>(3,882,197)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(154,570)	(2,742,670)
Borrowing from lines of credit, net	<u>2,756,206</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>2,601,636</u>	<u>(2,742,670)</u>
NET DECREASE IN CASH	(2,344,796)	(2,569,056)
CASH, BEGINNING OF YEAR	<u>3,455,944</u>	<u>6,025,000</u>
CASH, END OF YEAR	<u>\$ 1,111,148</u>	<u>\$ 3,455,944</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 168,692</u>	<u>\$ 130,641</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE A – ORGANIZATION

Nature of Activities

Interfaith Community Services, Inc. ("Interfaith" or the "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 approximately 20,000 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

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use ("ROU") asset for all leases. The amendments in this ASU are effective for the annual reporting period ending June 30, 2023 for the Organization.

In July 2018, The FASB issued ASU No. 2018-10 "Codification Improvements to Topic 842, Leases" and ASU No. 2018-11 "Leases (Topic 842) Targeted Improvements". ASU 2018-10 provides certain amendments that affect narrow aspects of the guidance issued in ASU 2016-02. ASU 2018-11 provides an optional transition method, also referred to as the effective date method, allowing entities to apply the new lease standard at the adoption date with a cumulative-effect adjustment to the opening balance of net assets in the period of adoption (modified retrospective approach) as opposed to restating prior period financial statements.

The Organization adopted the new standard effective July 1, 2022 and elected to apply the transition provisions that allow to carry forward the historical assessment of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. The Organization also elected to use the risk-free rate as the discount rate in circumstances where the implicit lease rate is not determinable.

As a result of the adoption, the Organization recorded a right-of-use asset and lease liability of \$586,763, as of July 1, 2022. The adoption of ASU 2016-02 had no impact on beginning net assets.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

- 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 statements 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The statements of activities report 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.

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 statements 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023 and 2022, 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, 2023 and 2022, 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

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, 2023 and 2022, these pools included domestic and international equities, domestic and international fixed income, and other investments.

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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2023, the federal statute of limitations remains open for the 2019 through 2023 tax years. The statute of limitations for the state income tax returns remains open for the 2019 through 2023 tax years.

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, 2023 AND 2022

NOTE D – PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	2023	2022
Other accounts receivable	\$ 118,124	\$ 230,904
Prepaid software	96,698	85,877
Prepaid insurance	117,288	56,785
Deposits and prepaid rent	38,430	185,888
Total prepaid expenses and other current assets	\$ 370,540	\$ 559,454

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. As of June 30, 2023 and 2022, unamortized donated rents were \$17,556 and \$46,488, respectively. These amounts represent the fair market value of rent 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 \$400,000 of the amount pledged as of June 30, 2023. Details of the remaining Pledge Receivable is as follows:

	2023	2022
Pledge Receivable as of June 30,	\$ 600,000	\$ 600,000
Less: Discount to present value	(34,278)	(34,278)
	565,722	565,722
Less: Current portion of campaign pledges	(371,547)	(183,028)
Total prepaid expenses and other current assets	\$ 194,175	\$ 382,694

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE F – PROMISES TO GIVE (CONTINUED)

Scheduled payments are as follows for years ended June 30:

2024	\$	371,547
2025		194,176
Total	<u>\$</u>	<u>565,723</u>

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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
International equities	\$ -	\$ 3,545,048	\$ 3,545,048
Domestic fixed income	-	7,223,041	7,223,041
International fixed income	-	776	776
Other	-	8,299	8,299
Total	<u>\$ -</u>	<u>\$ 10,777,164</u>	<u>\$ 10,777,164</u>

The following table summarizes the valuation of the Organization's investments in accordance with authoritative fair value guidance as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Domestic equities	\$ -	\$ 3,086,607	\$ 3,086,607
International equities	-	3,427,335	3,427,335
Domestic fixed income	-	3,086,607	3,086,607
International fixed income	-	80,172	80,172
Other	-	340,729	340,729
Total	<u>\$ -</u>	<u>\$ 10,021,450</u>	<u>\$ 10,021,450</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE G – INVESTMENTS (CONTINUED)

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

	2023	2022
Interest and dividends	\$ 293,360	\$ 347,982
Realized and unrealized (losses) gains	840,757	(1,968,709)
Investment fees	(53,290)	(41,046)
Total	\$ 1,080,827	\$ (1,661,773)

NOTE H – PROPERTY AND EQUIPMENT

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

	2023	2022
Buildings	\$ 27,441,090	\$ 24,299,171
Leasehold improvements	632,822	632,822
Furniture and equipment	1,512,889	817,751
Software	54,845	54,845
Vehicles	665,296	481,885
Cost of depreciable assets	30,306,942	26,286,474
Accumulated depreciation	(8,937,370)	(8,320,451)
Net depreciable assets	21,369,572	17,966,023
Construction-in-progress	1,447,032	204,316
Land	10,401,000	10,401,000
Total property and equipment, net	\$ 33,217,604	\$ 28,571,339

Depreciation expense was \$616,918 and \$584,803 for the years ended June 30, 2023 and 2022, respectively.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflect the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2023	2022
Cash	\$ 1,111,148	\$ 3,455,944
Investments	10,777,164	10,021,450
Grant and contracts receivable	3,720,883	4,347,143
Pledge receivable, current portion	371,547	183,028
Financial assets available within one year	15,980,742	18,007,565
Less: those unavailable for general expenditures within one year due to:		
Restricted by donors in perpetuity	(5,557,843)	(5,482,843)
Restricted by donors in purpose or time	(990,336)	(990,485)
Total amounts unavailable for general expenditures within one year	(6,548,179)	(6,473,328)
Amounts unavailable to management without Board's approval:		
Board designated long-term investments	(4,246,063)	(4,246,063)
Total financial assets available to management for general expenditures within one year	\$ 5,186,500	\$ 7,288,174

NOTE J – LINES OF CREDIT

The Organization has two lines of credit with First Citizens Bank in the amount of \$500,000 and \$2,300,000, that are secured by all personal property of the Organization. The lines of credit contain certain financial and non-financial covenants for which the Organization was in compliance as of June 30, 2023 and 2022. Interest is payable monthly at the greater of 1.0% above the Wall Street Journal's prime rate (9.0% and 8.5% at June 30, 2023 and 2022, respectively) or the floor rate of 4.25%. The lines of credit expire on September 9, 2024. The Organization had outstanding balances of \$2,756,206 as of June 30, 2023.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE K – NOTES PAYABLE

Notes payable as of June 30, 2023 and 2022, consisted of the following:

	2023	2022
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.	\$ 573,279	\$ 610,822
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 years ended June 30, 2023 and 2022.	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 years ended June 30, 2023 and 2022.	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.	78,580	112,363
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.	878,114	951,077

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE K – NOTES PAYABLE (CONTINUED)

	2023	2022
<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 years ended June 30, 2023 and 2022.</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 years ended June 30, 2023 and 2022.</p>	245,000	245,000
<p>Mortgage payable to PrinsBank in monthly payments of \$845 including adjustable rate interest interest of 0.50% above bank prime rate (9% at June 30, 2023) secured by real property due June 2025.</p>	18,487	28,768
<p style="padding-left: 40px;">Total</p>	\$ 3,036,460	\$ 3,191,030

**INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE K – NOTES PAYABLE (CONTINUED)

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

2024	\$ 155,748
2025	158,045
2026	123,192
2027	120,679
2028	124,661
Thereafter	<u>2,354,135</u>
 Total	 <u>\$ 3,036,460</u>

Notes payables contain certain financial and non-financial covenants for which the Organization was in compliance as of June 30, 2023 and 2022.

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. The loan was fully forgiven on July 28, 2021 with the terms of which are dictated by the SBA and CARES Act guidelines. The Organization has elected to account for the forgiven loan as a conditional contribution in accordance with Subtopic ASC 958-605-55. As a result, the Organization recorded a total benefit of \$1,841,932 which included accrued interest and is included in grant revenue on the statements of activities for the year ended June 30, 2022.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE M – LEASES

a. 2023 Financial Statements

The Organization leases various copiers to be used in its daily operations under operating leases, as well as warehouse space and office spaces. Effective July 1, 2022, right-of-use assets and operating lease liabilities are included in the accompanying statement of financial position. Right-of-use ("ROU") assets represent the Organization's right to use an underlying asset during the lease term and operating lease liabilities represent the net present value of the Organization's obligations to make lease payments arising from the leases. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term.

The Organization's right-of-use assets terms expire at various dates through 2028. As most of the Organization's operating leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term. The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

For the year ended June 30, 2023, operating lease costs totaled \$672,705 which includes leases with terms less than 12 months. For the year ended June 30, 2022, operating leases costs attributed to ROU assets totaled \$232,363.

As of June 30, 2023, information related to operating leases follow:

Operating lease right-of-use assets	\$ 375,621
Current portion of operating lease liabilities	\$ 137,753
Operating lease liabilities, net of current portion	\$ 241,873
Total operating lease liabilities	\$ 379,626
Weighted-average remaining lease term (in years)	2.57
Weighted-average discount rate	4.55%

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE M – LEASES (CONTINUED)

a. 2023 Financial Statements (Continued)

For the year ended June 30, 2023, supplemental cash flow information related to leases follow:

Cash paid for amounts included in the measurement of operating lease liabilities	\$	228,358
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	586,763

The aggregate future lease payments for operating leases as of June 30, 2023 follow:

2024	\$	151,404
2025		136,030
2026		58,358
2027		43,032
2028		17,348
Total lease payments		406,171
Less: imputed interest		(26,545)
Total operating lease liabilities	\$	379,626

b. 2022 Financial Statements

Prior to the adoption of Topic 842, the Organization accounted for and reported leases in accordance with Topic 840, Leases. In accordance with Topic 840, leases classified as operating leases were not included in the accompanying statement of financial position as right-of-use assets or lease obligations as of June 30, 2022.

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 \$34,209 for the year ended June 30, 2022.

The Organization leases warehouse space which expires August 2025. The lease calls for monthly lease payments escalating annually from \$4,303 to \$5,610. Total lease expense was \$51,392 for the year ended June 30, 2022.

The Organization leases office space which expires November 2024. The monthly lease payment was \$2,094. Total lease expense was \$25,124 for the year ended June 30, 2022.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE M – LEASES (CONTINUED)

b. 2022 Financial Statements (Continued)

In July 2021, the Organization entered into a lease agreement for office space which expires June 2023. The lease calls for monthly lease payments escalating annually from \$3,534 to \$6,715 through June 30, 2023. Total lease expense was \$49,476 for the year ended June 30, 2022.

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.

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 statements 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.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE O – NET ASSETS WITH DONOR RESTRICTIONS, EXCLUDING ENDOWMENT

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

	<u>2023</u>	<u>2022</u>
Purpose Restrictions:		
Transitional Youth Academy	\$ 15,644	\$ -
Veteran Services	189,223	-
Capital Acquisition	54,610	369,774
Employment Services	41,555	-
Immigration	3,113	-
Housing Assistance	1,430	-
Raymond Family Fund	61,438	-
Behavioral Health	157,093	-
Senior Services	57,480	-
Time Restrictions:		
Promises to give	382,694	565,722
Unamortized Rent	17,556	46,489
Permanent Restrictions:		
Donations	<u>75,000</u>	<u>8,500</u>
Total	<u>\$ 1,056,836</u>	<u>\$ 990,485</u>

NOTE P – RETIREMENT 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 years ended June 30, 2023 and 2022, the Organization matches 100% of the first 3% of employee contributions and 50% up to a total of 4% of employee contributions. The total employer contribution to the Plan for the years ended June 30, 2023 and 2022, was \$281,927 and \$246,361, respectively.

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.
- 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, 2023, the endowment net asset composition by type of fund, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment funds	\$ 370,658	\$ 5,557,843	\$ 5,928,501

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

As of June 30, 2022, the endowment net asset composition by type of fund, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment funds	\$ 8,393	\$ 5,482,843	\$ 5,491,236

Changes in endowment net assets for the year ended June 30, 2023, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,393	\$ 5,482,843	\$ 5,491,236
Activity:			
Donations	-	75,000	75,000
Interest and dividends	156,807	-	156,807
Realized and unrealized gains	462,145	-	462,145
Investment expense	(29,227)	-	(29,227)
Appropriations	(227,460)	-	(227,460)
Net activity	362,265	75,000	437,265
Endowment net assets, end of year	\$ 370,658	\$ 5,557,843	\$ 5,928,501

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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

Changes in endowment net assets for the year ended June 30, 2022, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,200,503	\$ 5,482,843	\$ 6,683,346
Activity:			
Donations	8,500	-	8,500
Interest and dividends	191,317	-	191,317
Realized and unrealized losses	(1,084,660)	-	(1,084,660)
Investment expense	(22,614)	-	(22,614)
Appropriations	(284,653)	-	(284,653)
Net activity	(1,192,110)	-	(1,192,110)
Endowment net assets, end of year	\$ 8,393	\$ 5,482,843	\$ 5,491,236

Return Objectives and Risk Parameter

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 active and passive investments. For equity investments, the selection of such holdings is based on the 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, 2023 AND 2022

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 investment balance was \$4,246,063 as of June 30, 2023 and 2022.

NOTE S – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 1, 2024, 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, 2023**

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	CA1693L9D012003	\$ 210,963	\$ -
Continuum of Care Program - Raymond's Refuge	14.267	CA0944L9D012011	101,005	-
Continuum of Care Program - Rental Assistance Program	14.267	CA1253L9D011906	293,940	-
Continuum of Care Program - Home Now	14.267	CA1601L9D012004	422,560	-
Pass-through from Community Housing Works:				
Continuum of Care Program - CHW		CA0703L9D01191	86,601	-
		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	228,814	-
Emergency Solutions Grant Program	14.231	564584	368,774	-
Passed through to Catholic Charities	14.231	564584		55,265
Emergency Solutions Grant Program Cares	14.231	563799	-	-
Emergency Solutions Grant Program Cares - Family Shelter	14.231	565205	-	-
Pass-through from City of Escondido:				
Emergency Solutions Grant Program Cares	14.231	E-20-MW-06-0552	807,733	-
Pass through from City of Carlsbad:				
CDBG - Coastal Services	14.218	B20MC060563	52,563	-
Pass through from City of San Marcos:				
CDBG - San Marcos Rental Assistance	14.218	6455	97,847	-
Pass through from City of Vista:				
CDBG - Vista	14.218	COV-2021-1	19,146	-
Passed through to Exodus Recovery	14.218	COV-2021-1	-	-
Pass through from City of Oceanside				
CDBG - Oceanside	14.218	21-D0368-4	-	-
Pass-through from County of San Diego				
CDBG - County Family Shelter	14.218		73,725	-
Pass-through from City of Escondido via Alliance for Regional solutions				
CDBG - Winter Shelter - Haven House	14.218	B-20-MC-06-0552	45,000	-
Pass-through from City of Encinitas via Alliance for Regional solutions				
CDBG - Winter Shelter - Haven House	14.218	N/A	20,000	-
Pass-through from City of Oceanside				
Oceanside TBRA	14.239	21-D0695-1	932,019	-
			3,760,690	55,265
<u>U.S. Department of Labor</u>				
Direct program:				
Pass-through from California Employment Develop. Dept.:				
WIA Adult Program - VEAP	17.258	AA111066	191,488	-
WIA Adult Program - ETPFS			16,493	-
			207,981	-

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, 2023**

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	294,346	-
Passed through to Escondido Education COMPACT	93.569	557909		30,227
Recovery and Wellness Residential Treatment	93.959	559478	3,481,755	-
Recovery and Wellness Outpatient Treatment	93.959	559501	1,348,806	-
National Family Caregiver Support - Minor Home Repair	93.052	564875	61,485	-
			5,186,392	30,227
<u>Department of Homeland Security</u>				
Pass-through from catholic Charities:				
EFSP FEMA	97.024	39-0840-00	178,919	-
			178,919	-
<u>U.S. Department of Treasury</u>				
Volunteer Income Tax Assistance	21.009	22VITA0290	97,773	-
Coronavirus state and local Fiscal recovery funds - American Rescue Act 2021				
Pass-through from City of Oceanside:				
City of Oceanside Mitigate Grant	21.027	N/A	-	-
			97,773	-
<u>U.S. Department of Veteran Affairs</u>				
Direct Programs:				
VA Homeless Providers Grant & Per Diem Program - Recuperative Beds	64.024	VA262-12-D-0144	584,746	-
VA Homeless Providers Grant & Per Diem Program - Bridge Housing	64.024	ICSI714-0325-664-BH-18-0	1,267,609	-
			1,852,355	-
Total Expenditures of Federal Awards			\$ 11,284,110	\$ 85,492

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

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, 2023. 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.



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, 2023, 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 April 1, 2024.

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
April 1, 2024



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, 2023. 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, 2022.

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
April 1, 2024

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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
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IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
93.569	Recovery and Wellness	\$ 5,216,620
14.231	Emergency Solutions Grant Program	1,316,273
14.239	Home Investment Partnership Program	932,019
64.024	VA Homeless providers grant	1,852,355
14.267	Continuum of Care	<u>1,343,883</u>
	Total expenditures of All Major Federal Programs	<u>\$ 10,661,150</u>
	Total Expenditures of Federal Awards	<u>\$ 11,517,050</u>
	Percentage of Total Expenditures of Federal Awards	<u>93%</u>

**INTERFAITH COMMUNITY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

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.

CASAWorks Apartments
99-FMTW-010
Statement of Operations
For The Year Ended June 30, 2023

Acct No.		<u>FY2023</u>
	Rent Revenue:	
5120	Rent Revenue	\$85,196
5121	Tenant Assistance Payments	-
5100T	Total Rent Revenue	<u>\$85,196</u>
5152N	Net Rental Revenues (Rent Revenue Less Vacancies)	<u>\$85,196</u>
	Other Revenue:	
5910	Laundry and Vending Revenue	\$1,176
5900T	Total Other Revenue	<u>\$1,176</u>
5000T	Total Revenue	<u>\$86,372</u>
	Administrative Expenses:	
6204	Management Consultants	\$ -
6250	Other Renting Expenses	-
6310	Office Salaries	530
6311	Office Expenses	-
6330	Manager or Superintendent Salaries	15,443
6340	Legal Expense - Project	1,589
6390	Misc. Administrative Expenses	667
6263T	Total Administrative Expenses	<u>\$18,229</u>
	Utilities Expenses:	
6450	Electricity	\$5,860
6451	Water	11,023
6400T	Total Utilities Expenses	<u>\$16,883</u>
	Operating and Maintenance Expenses:	
6510	Payroll	\$6,916
6515	Supplies	3,037
6520	Contracts	10,659
6525	Garbage and Trash Removal	4,730
6546	Heating/Cooling Repairs and Maintenance	-
6570	Vehicle & Maint Equip Operation/Repairs	-
6580	Lease Expense	-
6590	Misc. Operating & Maintenance Exp.	950
6500T	Total Operating & Maintenance Exp.	<u>\$26,292</u>
	Taxes and Insurance:	
6710	Real Estate Taxes	\$83
6711	Payroll Taxes (Project's Share)	2,003
6720	Property & Liability Insurance (Hazard)	3,766
6721	Fidelity Bond Insurance	-
6722	Worker's Compensation	1,361
6723	Health Ins. & Other Employee Benefits	4,687
6790	Misc. Taxes, Licenses, Permits and Ins.	264
6700T	Total Taxes and Insurance	<u>\$12,164</u>

CASAWorks Apartments
99-FMTW-010
Statement of Operations - (Continued)
For The Year Ended June 30, 2023

Supportive Services Exp.		
6990	Salaries - Client Case Management-HUD-Continuum of Care Grant	\$ -
6990	Client Supportive Services Other - Daycare, Employment, Lifeskills, Etc	-
6900T	Total Supportive Services Expenses	\$ -
6000	Total Cost of Operations before Depreciation	\$73,568
5060	Profit (Loss) before Depreciation	\$12,804
6600	Depreciation	\$12,598
5060N	Operating Profit (Loss)	\$206
7100T	Net Entity Expenses	\$ -
3250	Change in Total Net Assets from Operations	\$206

		FY2023
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.	-

CASAWorks Apartments
99-FMTW-010
Statement of Cash Flow
For The Year Ended June 30, 2023

Acct No.		<u>FY2023</u>
	Cash Flow from Operating Activities	
S1200-010	Rental Receipts	\$85,196
S1200-030	Other Operating Receipts	\$1,176
S1200-050	Administrative	(2,256)
S1200-090	Utilities	(16,883)
S1200-100	Salaries and Wages	(22,889)
S1200-110	Operating and Maintenance	(18,426)
S1200-120	Real Estate Taxes	(83)
S1200-140	Property Insurance	(3,766)
S1200-150	Miscellaneous Taxes and Insurance	(8,315)
S1200-170	Other Operating Expenses	-
S1200-240	Net Cash Provided (Used) by Operating Activities	<u>\$13,754</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	(2,207)
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>\$5,615</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:	<u><u>\$ 19,369</u></u>