
**INTERFAITH COMMUNITY
SERVICES, INC.**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS**

JUNE 30, 2024 AND 2023

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Cambaliza McGee LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS

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, 2024 and 2023, 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 the Organization, as of June 30, 2024 and 2023, 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 the Organization, 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.

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 the Organization'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 the Organization'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 October 17, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of 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 43-44 and CASAWorks Apartments 99-FMTW-010, statement of cash flows on page 45, 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
October 17, 2025

INTERFAITH COMMUNITY SERVICES, INC.

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash	\$ 7,018,126	\$ 1,111,148
Grants and contracts receivable	4,410,483	3,720,883
Other receivables	91,561	118,124
Prepaid expenses and other current assets	310,412	252,416
Pledge receivable - short-term portion	194,175	371,548
Unamortized donated rent	-	17,556
Total current assets	<u>12,024,757</u>	<u>5,591,675</u>
Non-current assets:		
Investments	11,702,833	10,777,164
Pledge receivable - long-term portion	-	194,175
Operating leases right-of-use assets, net	237,226	375,621
Property, plant and equipment, net	<u>32,670,959</u>	<u>33,217,604</u>
Total non-current assets	<u>44,611,018</u>	<u>44,564,564</u>
Total assets	<u><u>\$ 56,635,775</u></u>	<u><u>\$ 50,156,239</u></u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.

Statements of Financial Position

June 30, 2024 and 2023

Liabilities and Net Assets	2024	2023
Current liabilities:		
Lines of credit	\$ 2,608,477	\$ 2,756,206
Accounts payable	426,303	340,211
Accrued expenses	1,146,442	1,237,933
Accrued interest	710,132	674,446
Deferred revenue	1,085,814	969,853
Operating lease liabilities - current portion	128,413	137,753
Notes payable - current portion	306,990	155,748
Total current liabilities	<u>6,412,571</u>	<u>6,272,150</u>
Non-current liabilities:		
Notes payable - long-term portion	2,718,197	2,880,712
Operating lease liabilities - long-term portion	113,460	241,873
Total non-current liabilities	<u>2,831,657</u>	<u>3,122,585</u>
Total liabilities	<u>9,244,228</u>	<u>9,394,735</u>
Net assets:		
Without donor restrictions:		
Undesignated	37,233,565	29,967,262
Board designated long-term	4,246,063	4,246,063
Total without donor restrictions	41,479,628	34,213,325
With donor restrictions	<u>5,911,919</u>	<u>6,548,179</u>
Total net assets	<u>47,391,547</u>	<u>40,761,504</u>
Total liabilities and net assets	<u>\$ 56,635,775</u>	<u>\$ 50,156,239</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.

Statement of Activities

Years ended June 30, 2024 and 2023

	Without Donor Restrictions	With Donor Restrictions	2024	2023
Support and revenue:				
Grant and contract revenue	\$ 17,932,761	\$ -	\$ 17,932,761	\$ 16,792,560
Contributions	12,222,110	94,653	12,316,763	5,598,384
In-kind donations	491,533	-	491,533	471,846
Rental income	772,936	-	772,936	785,126
Other income	12,320	-	12,320	9,547
Net assets released from restrictions, satisfaction of program restrictions	730,913	(730,913)	-	-
Total support and revenue	<u>32,162,573</u>	<u>(636,260)</u>	<u>31,526,313</u>	<u>23,657,463</u>
Expenses:				
Program services:				
Supportive services	5,250,452	-	5,250,452	4,073,519
Employment and economic development	989,694	-	989,694	1,059,183
Clinical	2,312,849	-	2,312,849	1,624,334
Housing & shelters	5,963,406	-	5,963,406	6,432,088
Recovery and wellness	9,020,243	-	9,020,243	7,425,448
Other community services	933,126	-	933,126	906,793
Total program services	<u>24,469,770</u>	<u>-</u>	<u>24,469,770</u>	<u>21,521,365</u>
Supporting services:				
Management and general	3,892,574	-	3,892,574	2,911,665
Fundraising	1,288,877	-	1,288,877	1,247,645
Total supporting services	<u>5,181,451</u>	<u>-</u>	<u>5,181,451</u>	<u>4,159,310</u>
Total expenses	<u>29,651,221</u>	<u>-</u>	<u>29,651,221</u>	<u>25,680,675</u>
Nonoperating revenues:				
Other income	3,128,506	-	3,128,506	
Investment income	1,626,445	-	1,626,445	1,080,827
Total nonoperating revenues	<u>4,754,951</u>	<u>-</u>	<u>4,754,951</u>	<u>1,080,827</u>
Change in net assets	7,266,303	(636,260)	6,630,043	(2,023,212)
Net assets, beginning of year	<u>34,213,325</u>	<u>6,548,179</u>	<u>40,761,504</u>	<u>43,365,662</u>
Net assets, end of year	<u>\$ 41,479,628</u>	<u>\$ 5,911,919</u>	<u>\$ 47,391,547</u>	<u>\$ 41,342,450</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year ended June 30, 2024

	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
Expenses:											
Wages, salaries, labor and employee benefits	\$ 2,584,783	\$ 673,371	\$ 1,730,090	\$ 3,334,742	\$ 6,654,282	\$ 702,430	\$ 15,679,698	\$ 2,560,354	\$ 1,011,063	\$ 3,571,417	\$ 19,251,115
Living assistance	408,668	40,166	41,961	739,190	454,456	17,620	1,702,061	-	-	-	1,702,061
Training and employment assistance	32,799	83,005	1,287	1,728	5,339	-	124,158	-	-	-	124,158
Office	261,773	71,934	142,259	273,225	340,177	92,966	1,182,334	414,172	199,651	613,823	1,796,157
Depreciation	51,045	22,237	3,592	371,060	380,318	30,038	858,290	52,881	8,921	61,802	920,092
Interest	-	-	-	66,333	133,369	-	199,702	28,831	-	28,831	228,533
Operations and support services	1,858,410	88,134	132,190	1,083,407	989,259	68,055	4,219,455	37,751	4,163	41,914	4,261,369
Other	52,974	10,847	261,470	93,721	63,043	22,017	504,072	798,585	65,079	863,664	1,367,736
Total expenses	\$ 5,250,452	\$ 989,694	\$ 2,312,849	\$ 5,963,406	\$ 9,020,243	\$ 933,126	\$ 24,469,770	\$ 3,892,574	\$ 1,288,877	\$ 5,181,451	\$ 29,651,221
% of total expense by activity	17.7%	3.3%	7.8%	20.1%	30.4%	3.1%	82.5%	13.1%	4.3%	17.5%	100.0%

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
Statement of Functional Expenses
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
Expenses:											
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 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.

Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flow from operating activities:		
Change in net assets	\$ 6,630,043	\$ (942,385)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	920,092	616,918
Realized and unrealized (gain) loss on investments, net	(1,196,382)	(788,995)
Net loss on disposal of property and equipment	5,315	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	(689,600)	626,260
Other receivables	26,563	-
Prepaid expenses and other current assets	(57,996)	188,915
Pledge receivable	371,548	(1)
Donated rent	17,556	28,932
Operating leases, right-of-use assets	138,395	(375,621)
Increase (decrease) in:		
Accounts payable	86,092	18,212
Accrued expenses	(91,491)	(63,716)
Deferred revenue	115,961	575,252
Accrued interest	35,686	20,073
Operating lease liabilities	(137,753)	379,626
Net cash provided by operating activities	<u>6,174,029</u>	<u>283,470</u>
Cash flow from investing activities:		
Purchases of property and equipment	(378,762)	(5,263,183)
Purchases of investments	-	(75,000)
Reinvested interest and dividends	(269,074)	(286,031)
Distributions of investments	539,787	-
Proceeds from sales of investments	-	394,312
Net cash used in investing activities	<u>(108,049)</u>	<u>(5,229,902)</u>
Cash flow from financing activities:		
Payments on notes payable	(160,152)	(154,570)
Borrowings on notes payable	148,879	-
Borrowings (payments) from lines of credit, net	(147,729)	2,756,206
Net cash provided by (used in) financing activities	<u>(159,002)</u>	<u>2,601,636</u>
Increase/(decrease) in cash	5,906,978	(2,344,796)
Cash, beginning of year	<u>1,111,148</u>	<u>3,455,944</u>
Cash, end of year	<u>\$ 7,018,126</u>	<u>\$ 1,111,148</u>
Supplemental information:		
Cash paid during the year for interest	<u>\$ 192,848</u>	<u>\$ 168,692</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.
Statements of Cash Flows - Direct Method
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flow from operating activities:		
Grant and contract revenue receipts	\$ 20,507,805	\$ 17,418,820
Contribution receipts	12,688,311	5,604,040
Rental income receipts	772,936	785,126
Investment return receipts	430,063	1,366,858
Other income receipts	18,706	9,547
Total receipts	<u>34,417,821</u>	<u>25,184,391</u>
Supportive services	5,199,407	4,043,886
Employment and economic development	967,457	1,034,288
Clinical	2,309,257	1,621,622
Housing & shelters	5,592,346	6,119,319
Recovery and wellness	8,152,588	7,213,213
Other community services	903,088	875,812
Management and general	3,839,693	2,748,518
Fundraising	1,279,956	1,244,263
Total disbursements	<u>28,243,792</u>	<u>24,900,921</u>
Net cash provided by operating activities	<u>6,174,029</u>	<u>283,470</u>
Cash flow from investing activities:		
Purchases of property and equipment	(378,762)	(5,263,183)
Purchases of investments	-	(75,000)
Reinvested interest and dividends	(269,074)	(286,031)
Distributions on investment	539,787	-
Proceeds from sales of investments	-	394,312
Net cash used in investing activities	<u>(108,049)</u>	<u>(5,229,902)</u>
Cash flow from financing activities:		
Payments on notes payable	(160,152)	(154,570)
Borrowing on notes payable	148,879	-
Borrowings (payments) from lines of credit, net	(147,729)	2,756,206
Net cash provided by (used in) financing activities	<u>(159,002)</u>	<u>2,601,636</u>
Increase/(decrease) in cash	5,906,978	(2,344,796)
Cash, beginning of year	<u>1,111,148</u>	<u>3,455,944</u>
Cash, end of year	<u>\$ 7,018,126</u>	<u>\$ 1,111,148</u>
Supplemental information:		
Cash paid during the year for interest	<u>\$ 192,848</u>	<u>\$ 168,692</u>

See accompanying notes and independent auditor's report.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements
June 30, 2024 and 2023

Note A – Organization

(1) 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

(1) 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.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (Continued)

(2) 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.

(3) 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.

(4) 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.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (Continued)

(5) 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.

(6) 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 payables approximate fair value as of June 30, 2024 and 2023, due to the relative short maturities of these instruments.

(7) Cash Equivalents

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

(8) 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 credit losses for uncollectible amounts. No allowance was considered necessary as of June 30, 2024 and 2023, because management believes that all amounts are collectible.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (Continued)

(9) 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.

(10) 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, 2024 and 2023, 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.

(11) 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.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (Continued)

(12) 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.

(13) 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.

(14) 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, 2024, the federal statute of limitations remains open for the 2020 through 2023 tax years. The statute of limitations for the state income tax returns remains open for the 2020 through 2023 tax years.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note B – Summary of Significant Accounting Policies (Continued)

(15) Accounting Standards Adopted in 2024

On July 1, 2023, the Organization adopted ASU 2016-13 *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted ASC 326 and all related subsequent amendments thereto effective July 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost. There was no adjustment required as a result of the adoption of CECL.

(16) In-Kind Contributions

The Organization receives donated goods, services, and rents consisting of food, volunteer services, and free rent. Donated goods, services, and rents are recognized as contributions if the goods, services, or rents (a) create or enhance nonfinancial assets or (b) would otherwise be purchased by the Organization. Goods, services, and rents valued at \$491,533 and \$471,846 have been recognized in the accompanying statement of activities for the years ended June 30, 2024, and 2023. The Organization recognizes in-kind donation revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation for donate services and rents. For donated goods, such as food, the Organization recognizes donation revenue and a corresponding expense in an amount approximated by the Emergency Food and Shelter Program.

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 the Financial Statements
June 30, 2024 and 2023**Note D – Prepaid Expenses and Other Current Assets**

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

	2024	2023
Prepaid software	\$ 133,313	\$ 96,698
Prepaid insurance	143,754	117,288
Deposits and prepaid rent	33,345	38,430
	<u>310,412</u>	<u>252,416</u>
Total prepaid expenses and other current assets	<u>\$ 310,412</u>	<u>\$ 252,416</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 expired on January 30, 2024. The Organization began providing services at this location on April 1, 2014. As of June 30, 2024, and 2023, unamortized donated rents were \$0 and \$17,556, 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 \$800,000 of the amount pledged as of June 30, 2024. Details of the remaining Pledge Receivable is as follows:

	2024	2023
Pledge Receivable as of June 30,	\$ 200,000	\$ 600,000
Less: Discount to present value	(5,825)	(34,278)
Total pledge receivable	194,175	565,722
Less: Current portion of campaign pledges	(194,175)	(371,547)
Long-term pledge receivable	<u>\$ -</u>	<u>\$ 194,175</u>

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements
June 30, 2024 and 2023

Note F – Promises to Give (Continued)

Scheduled payments are as follows for year ended June 30:

2025	194,175
Total	<u>\$ 194,175</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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
International equities	\$ -	\$ 3,375,038	\$ 3,375,038
Domestic fixed income	-	8,290,820	8,290,820
International fixed income	-	984	984
Other	-	35,991	35,991
Total	<u>\$ -</u>	<u>\$ 11,702,833</u>	<u>\$ 11,702,833</u>

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>

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

INTERFAITH COMMUNITY SERVICES, INC.Notes to the Financial Statements
June 30, 2024 and 2023**Note G – Investments (Continued)**

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 269,074	\$ 293,360
Realized and unrealized (losses) gains	1,245,959	840,757
Distributions	(539,788)	-
Investment fees	(49,577)	(53,290)
	<u> </u>	<u> </u>
Total	<u>\$ 925,668</u>	<u>\$ 1,080,827</u>

Note H – Property, Plant and Equipment

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

	<u>2024</u>	<u>2023</u>
Buildings	\$ 28,989,645	\$ 27,441,090
Leasehold improvements	632,822	632,822
Furniture and equipment	1,710,060	1,512,889
Software	54,845	54,845
Vehicles	740,049	665,296
	<u> </u>	<u> </u>
Cost of depreciable assets	32,127,421	30,306,942
Accumulated depreciation	(9,857,462)	(8,937,370)
	<u> </u>	<u> </u>
Net depreciable assets	22,269,959	21,369,572
Construction-in-progress	-	1,447,032
Land	10,401,000	10,401,000
	<u> </u>	<u> </u>
Total property, plant and equipment, net	<u>\$ 32,670,959</u>	<u>\$ 33,217,604</u>

Depreciation expense was \$920,092 and \$616,918 for the years ended June 30, 2024 and 2023, respectively.

INTERFAITH COMMUNITY SERVICES, INC.Notes to the Financial Statements
June 30, 2024 and 2023**Note I – Liquidity and Availability of Financial Assets**

The following reflect the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2024</u>	<u>2023</u>
Cash	\$ 7,018,126	\$ 1,111,148
Investments	11,702,833	10,777,164
Grant and contracts receivable	4,410,483	3,720,883
Other receivables	91,561	118,124
Pledge receivable, current portion	<u>194,175</u>	<u>253,423</u>
Financial assets available within one year	<u>23,417,178</u>	<u>15,980,742</u>
Less: those unavailable for general expenditures within one year due to:		
Restricted by donors in perpetuity	(5,557,843)	(5,557,843)
Restricted by donors in purpose or time	<u>(354,076)</u>	<u>(990,336)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,911,919)</u>	<u>(6,548,179)</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>\$ 13,259,196</u>	<u>\$ 5,186,500</u>

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, 2024, and 2023. Interest is payable monthly at the greater of 1.0% above the Wall Street Journal's prime rate (8.5% and 9.0% at June 30, 2024 and 2023, respectively) or the floor rate of 4.25%. The lines of credit expire on February 15, 2033, and February 21, 2038, respectively. The Organization had outstanding balances of \$2,608,477 and \$2,756,206 as of June 30, 2024 and 2023, respectively.

INTERFAITH COMMUNITY SERVICES, INC.Notes to the Financial Statements
June 30, 2024 and 2023**Note K – Notes Payable**

Notes payable as of June 30, 2024 and 2023, consisted of the following:

	<u>2024</u>	<u>2023</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.	\$ 534,530	\$ 573,279
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, 2024 and 2023.	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, 2024 and 2023.	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.	43,203	78,580
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.	802,785	878,114

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note K – Notes Payable (Continued)

	<u>2024</u>	<u>2023</u>
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, 2024 and 2023.	350,000	350,000
Note payable to California Department of Housing and Community Development for \$245,000, secured by real property, due July 2057. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the CASA Program provides positive cash flow. The Development was constructed in 1964 and is made up of eight units. There were no required payments made during the years ended June 30, 2024 and 2023.	245,000	245,000
Note payable to Department of Veteran Affairs in monthly payments of \$15,095 including interest at 3.00% per annum.	148,879	-
Mortgage payable to PrinsBank in monthly payments of \$845 including adjustable rate interest of 0.50% above bank prime rate (9% at June 30, 2024) secured by real property due June 2025.	<u>7,790</u>	<u>18,487</u>
Total	<u>\$3,025,187</u>	<u>\$3,036,460</u>

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements
June 30, 2024 and 2023

Note K – Notes Payable (Continued)

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

2025	\$	306,990
2026		123,223
2027		120,679
2028		124,661
2029		128,774
Thereafter		<u>2,220,860</u>
Total	\$	<u>3,025,187</u>

Notes payables contain certain financial and non-financial covenants for which the Organization was in compliance as of June 30, 2024 and 2023.

Note L – Employee Retention Credits

The Organization benefited from tax credits related to the passage of the CARES Act. Under the CARES Act, the Organization qualified for an employee retention credit for wages paid to employees between January 1, 2021 through September 30, 2021. The Organization has elected to account for the employee retention credits as conditional contributions in accordance with Subtopic ASC 958-605-55. As a result, the Organization recorded a total benefit of \$3,128,506 and is included in non-operating revenue on the statement of activities for the year end June 30, 2024.

Note M – Leases

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 statements 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.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note M – Leases (Continued)

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, 2024, operating lease costs totaled \$624,112 which includes leases with terms less than 12 months. For the year ended June 30, 2023, operating leases costs attributed to ROU assets totaled \$152,046.

As of June 30, 2024, information related to operating leases are as follows:

Operating lease right-of-use assets	<u>\$</u> 237,226
Current portion of operating lease liabilities	\$ 128,413
Operating lease liabilities, net of current portion	<u>113,460</u>
Total operating lease liabilities	<u>\$</u> 241,873
Weighted-average remaining lease term (in years)	1.77
Weighted-average discount rate	4.55%

For the year ended June 30, 2024, supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of operating lease liabilities	\$ 151,404
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 379,626

INTERFAITH COMMUNITY SERVICES, INC.Notes to the Financial Statements
June 30, 2024 and 2023**Note M – Leases (Continued)**

The aggregate future lease payments for operating leases as of June 30, 2024 are as follows:

2025	\$	136,029
2026		58,358
2027		43,032
2028		<u>17,348</u>
Total lease payments		254,767
Less: imputed interest		<u>(12,894)</u>
Total operating lease liabilities	\$	<u>241,873</u>

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, 2023, 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	\$	<u>375,621</u>
Current portion of operating lease liabilities	\$	137,753
Operating lease liabilities, net of current portion		<u>241,873</u>
Total operating lease liabilities	\$	<u>379,626</u>
Weighted-average remaining lease term (in years)		2.57
Weighted-average discount rate		4.55%

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

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements
June 30, 2024 and 2023

Note N – Contingencies

(1) 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.

(2) 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.

(3) 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 the Financial Statements
June 30, 2024 and 2023**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>2024</u>	<u>2023</u>
Purpose Restrictions:		
Transitional Youth Academy	\$ 25,638	\$ 15,644
Veteran Services	19,652	189,223
Capital Acquisition	-	54,610
Employment Services	28,649	41,555
Immigration	8,734	3,113
Housing Assistance	22,594	1,430
TYA - General	8,035	-
Raymond Family Fund	38,099	61,438
Behavioral Health	-	157,093
Senior Services	-	57,480
Time Restrictions:		
Promises to give	194,175	382,694
Unamortized Rent	-	17,556
Permanent Restrictions:		
Donations	<u>75,000</u>	<u>75,000</u>
Total	<u>\$ 420,576</u>	<u>\$ 1,056,836</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, 2024 and 2023, the Organization matches 100% of the first 3% of employee contributions and 50% of the next 2% of employee contributions up to a total of 4% of employee contributions. The total employer contribution to the Plan for the years ended June 30, 2024 and 2023, was \$365,035 and \$281,927, respectively.

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

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, 2024, the endowment net asset composition by type of fund, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment funds	\$ 872,806	\$ 5,557,843	\$ 6,430,649

As of June 30, 2023, the endowment net asset composition by type of fund, consisted of the following:

INTERFAITH COMMUNITY SERVICES, INC.

Notes to the Financial Statements

June 30, 2024 and 2023

Note Q – Net Assets with Donor Restrictions – Endowment (Continued)

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

Changes in endowment net assets for the year ended June 30, 2024, consisted of the following:

	Without donor Restrictions	With donor Restrictions	Total
Endowment net assets, beginning of year	\$ 370,658	\$ 5,557,843	\$ 5,928,501
Activity:			
Donations	-	-	-
Interest and dividends	148,032	-	148,032
Realized and unrealized gains	683,201	-	683,201
Investment expense	(27,256)	-	(27,256)
Appropriations	(301,829)	-	(301,829)
Net activity	502,148	-	502,148
Endowment net assets, end of year	\$ 872,806	\$ 5,557,843	\$ 6,430,649

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 losses	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 the Financial Statements

June 30, 2024 and 2023

Note Q – Net Assets with Donor Restrictions – Endowment (Continued)

(1) 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.

(2) 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).

(3) 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 an 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, 2024 and 2023.

Note S – Subsequent Events

The Organization has evaluated subsequent events through October 17, 2025, which is the date the financial statements were available to be issued.

ADDITIONAL INDEPENDENT AUDITOR'S REPORT



Independent Auditor's 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, 2024, 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 October 17, 2025.

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
October 17, 2025

COMPLIANCE SECTION



**Independent Auditor's 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

Opinion on Each Major Federal Program

We have audited Interfaith Community Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2024. Interfaith Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Interfaith Community Services, Inc. complied, in all material respects, with the 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Interfaith Community Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Interfaith Community Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Interfaith Community Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Interfaith Community Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Interfaith Community Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Interfaith Community Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Interfaith Community Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
Newport Beach, California
October 17, 2025

INTERFAITH COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year ended June 30, 2024

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	CA1693L9D012104; CA1693L9D012205 CA0944L9D012213;	\$ 198,198	\$ -
Continuum of Care Program - Raymond's Refuge	14.267	CA0944L9D012314	109,268	-
Continuum of Care Program - Rental Assistance Program	14.267	CA1253L9D012209	298,350	-
Continuum of Care Program - Home Now	14.267	CA1601L9D012206	598,074	-
Pass-through from Community Housing Works:				
Continuum of Care Program - CHW	14.267	CA0703L9D012215; CA0709L9D012215 & CA1025L9D012208	75,339	-
Pass-through from County of San Diego via Mental Health Systems:				
Continuum of Care Program - Shelter Plus Care	14.267	CA0693L9D012215	215,935	-
Emergency Solutions Grant Program	14.231	564584	287,264	-
Passed through to Catholic Charities	14.231	564584	-	55,265
Pass-through from City of Escondido:				
Emergency Solutions Grant Program Cares	14.231	E-20-MW-06-0552	18,277	-
Pass through from City of Carlsbad:				
CDBG - Coastal Services	14.218	B20MC060563	58,823	-
Pass through from City of San Marcos:				
CDBG - San Marcos Rental Assistance	14.218	6455	60,773	-
Pass-through from County of San Diego				
CDBG - County Family Shelter	14.218	B-22-UC-06-0501	23,390	-
CDBG - County Family Shelter	14.218	B-23-UC-06-0501	82,017	-
Pass-through from City of Poway via Alliance for Regional solutions				
Home Investment Partnerships Program (HOME)	14.218	N/A	20,000	-
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	320,476	-
			2,386,184	55,265
<u>U.S. Department of Labor</u>				
Direct program:				
Pass-through from California Employment Develop. Dept.: WIA Adult Program - ETPFS	17.258	AA311064	237,301	-
			237,301	-

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

INTERFAITH COMMUNITY SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year ended June 30, 2024

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	203,492	-
Passed through to Escondido Education COMPACT	93.569	557909	-	33,543
Recovery and Wellness Residential Treatment	93.959	559478; 570125	475,258	-
Recovery and Wellness Outpatient Treatment	93.959	559501	99,184	-
SAMHSA	93.959	T1086685	145,871	-
Health Program Management, Behavioral Health Recovery Services Project (HEAR US)	93.958 & 93.959	CA23BHR0617	495,262	-
National Family Caregiver Support - Minor Home Repair	93.052	564875	50,760	-
			1,469,827	33,543
<u>Department of Homeland Security</u>				
Pass-through from catholic Charities:				
EFSP FEMA	97.024	39-0840-00	198,919	-
			198,919	-
<u>U.S. Department of Treasury</u>				
Volunteer Income Tax Assistance	21.009	22VITA0290	111,042	-
			111,042	-
<u>U.S. Department of Veteran Affairs</u>				
Direct Programs:				
VA Homeless Providers Grant & Per Diem Program - PATH	64.024	PATH196-5871-664-CM-24 VA262-12-D-0144;	9,336	-
VA Homeless Providers Grant & Per Diem Program - Recuperative Beds	64.024	36C26223D0115 ICS1714-1565-664-PD-21 & ICS1714-	966,786	-
VA Homeless Providers Grant & Per Diem Program - Bridge Housing	64.024	4996-664-PD-24	999,675	-
			1,975,797	-
Total Expenditures of Federal Awards			\$ 6,379,070	\$ 88,808

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

INTERFAITH COMMUNITY SERVICES, INC.
Notes to Schedule of Expenditure of Federal Awards
Year ended June 30, 2024

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, 2024. 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.
 Summary of Auditor's Results and
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|---|------------|
| a) The type of report issued on the financial statements: | Unmodified |
| b) Internal control over financial reporting: | |
| • Material weakness(es) identified: | None |
| • Significant deficiencies identified that are not considered to be material weaknesses | None |
| c) Noncompliance which is material to the basic financial statements | None |

Federal Awards

- | | |
|--|------------|
| a) Internal control over financial reporting: | |
| • Material weakness(es) identified: | None |
| • Significant deficiencies) identified that are not considered to be material weaknesses | None |
| b) The type of report issued on compliance for major programs: | |
| • Recovery and Wellness | Unmodified |
| • VA Homeless Providers Grant | Unmodified |
| • Continuum of Care | Unmodified |
| c) Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance | None |
| d) Dollar threshold used to distinguish between type A and type B program | \$ 750,000 |

e) Major Programs:		
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
64.024	VA Homeless providers Grant	\$ 1,975,797
14.267	Continuum of Care	<u>1,495,164</u>
	Total expenditures of All Major Federal Programs	<u>\$ 3,470,961</u>
	Total Expenditures of Federal Awards	<u>\$ 6,467,878</u>
	Percentage of Total Expenditures of Federal Awards	<u>54%</u>

INTERFAITH COMMUNITY SERVICES, INC.
Summary of Auditor's Results and
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

- f) Auditee qualified as low-risk auditee under the Uniform Guidance? 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, 2024

Acct No.		<u>FY2024</u>
	Rent Revenue:	
5120	Rent Revenue	\$106,428
5121	Tenant Assistance Payments	-
5100T	Total Rent Revenue	<u>\$106,428</u>
5152N	Net Rental Revenues (Rent Revenue Less Vacancies)	<u>\$106,428</u>
	Other Revenue:	
5910	Laundry and Vending Revenue	\$1,666
5900T	Total Other Revenue	<u>\$1,666</u>
5000T	Total Revenue	<u>\$108,094</u>
	 Administrative Expenses:	
6204	Management Consultants	-
6250	Other Renting Expenses	-
6310	Office Salaries	847
6311	Office Expenses	-
6330	Manager or Superintendent Salaries	15,612
6340	Legal Expense - Project	565
6390	Misc. Administrative Expenses	13
6263T	Total Administrative Expenses	<u>\$17,037</u>
	Utilities Expenses:	
6450	Electricity	\$5,161
6451	Water	11,013
6400T	Total Utilities Expenses	<u>\$16,174</u>
	Operating and Maintenance Expenses:	
6510	Payroll	\$1,900
6515	Supplies	970
6520	Contracts	5,713
6525	Garbage and Trash Removal	6,973
6546	Heating/Cooling Repairs and Maintenance	-
6570	Vehicle & Maint Equip Operation/Repairs	442
6580	Lease Expense	-
6590	Misc. Operating & Maintenance Exp.	-
6500T	Total Operating & Maintenance Exp.	<u>\$15,997</u>
	Taxes and Insurance:	
6710	Real Estate Taxes	\$86
6711	Payroll Taxes (Project's Share)	1,655
6720	Property & Liability Insurance (Hazard)	6,288
6721	Fidelity Bond Insurance	-
6722	Worker's Compensation	1,175
6723	Health Ins. & Other Employee Benefits	4,511
6790	Misc. Taxes, Licenses, Permits and Ins.	264
6700T	Total Taxes and Insurance	<u>\$13,979</u>

CASAWorks Apartments
99-FMTW-010
Statement of Operations - (Continued)
For The Year Ended June 30, 2024

	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	\$63,188
5060	Profit (Loss) before Depreciation	\$44,906
6600	Depreciation	\$12,598
5060N	Operating Profit (Loss)	\$32,308
7100T	Net Entity Expenses	\$ -
3250	Change in Total Net Assets from Operations	\$32,308
		<hr/> <hr/>
Acct No.		FY2024
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, 2024

Acct No.		<u>FY2024</u>
	Cash Flow from Operating Activities	
S1200-010	Rental Receipts	\$106,428
S1200-030	Other Operating Receipts	\$1,666
S1200-050	Administrative	(578)
S1200-090	Utilities	(16,174)
S1200-100	Salaries and Wages	(18,359)
S1200-110	Operating and Maintenance	(14,097)
S1200-120	Real Estate Taxes	(86)
S1200-140	Property Insurance	(6,288)
S1200-150	Miscellaneous Taxes and Insurance	(7,605)
S1200-170	Other Operating Expenses	-
S1200-240	Net Cash Provided (Used) by Operating Activities	<u>\$44,906</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>\$39,291</u></u>