

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
INTERFAITH COMMUNITY SERVICES, INC.
JUNE 30, 2019

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GURRERA & ASSOCIATES

Certified Public Accountants
Business & Personal Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Community Services, Inc., (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITOR'S REPORT

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Auditor's Responsibility - (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Community Services, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2019, 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 solely 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 the effectiveness of the Organization's 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.

INDEPENDENT AUDITOR'S REPORT

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Organization taken as a whole. The accompanying information for CASAWorks Apartments 99-FMTW-010, statement of operations on page 37-38 and CASAWorks Apartments 99-FMTW-010, statement of cash flows on page 39, 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.

Diana Ant
GURRERA & ASSOCIATES

San Diego, California
December 6, 2019

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

ASSETS:	
Cash	\$ 1,966,764
Grants and contracts receivable	2,089,697
Prepaid expenses and other current assets	216,602
Unamortized donated rent	125,108
Investments	9,192,272
Property and equipment, net of accumulated depreciation	<u>16,658,021</u>
TOTAL ASSETS	<u>\$ 30,248,464</u>

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable	\$ 204,853
Accrued expenses	761,128
Accrued interest	587,375
Notes payable	<u>3,744,492</u>
TOTAL LIABILITIES	5,297,848
NET ASSETS:	
Without donor restrictions:	
Undesignated	15,716,160
Board designated long-term	<u>3,286,998</u>
Total without donor restrictions	19,003,158
With donor restrictions	<u>5,947,458</u>
TOTAL NET ASSETS	<u>24,950,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,248,464</u>

See notes to financial statements and independent auditor's report

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUE and SUPPORT:			
Grant and contract revenue	\$ 7,766,156	\$ -0-	\$ 7,766,156
Contributions	3,415,815	322,375	3,738,190
In-kind donations	1,071,272	-0-	1,071,272
Rental income	836,195	-0-	836,195
Investment return	648,231	-0-	648,231
Other income	17,329	-0-	17,329
Net assets released from restrictions, satisfaction of program restrictions	<u>580,784</u>	<u>(580,784)</u>	<u>-0-</u>
Total Revenue and Support	14,335,782	(258,409)	14,077,373
EXPENSES:			
Supportive services	2,207,829	-0-	2,207,829
Clinical	474,385	-0-	474,385
Housing & shelters	4,748,282	-0-	4,748,282
Employment and economic development	1,307,334	-0-	1,307,334
Recovery and wellness	2,648,502	-0-	2,648,502
Other community services	543,482	-0-	543,482
Management and general	1,767,516	-0-	1,767,516
Fundraising	<u>924,625</u>	<u>-0-</u>	<u>924,625</u>
TOTAL EXPENSES	<u>14,621,955</u>	<u>-0-</u>	<u>14,621,955</u>
Increase (decrease) in net assets	(286,173)	(258,409)	(544,582)
Net Assets - Beginning of year	<u>19,289,331</u>	<u>6,205,867</u>	<u>25,495,198</u>
Net Assets - End of year	<u>\$ 19,003,158</u>	<u>\$ 5,947,458</u>	<u>\$ 24,950,616</u>

See notes to financial statements and independent auditor's report

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services						Supporting 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	\$ 1,125,683	\$ 881,740	\$ 424,255	\$ 2,265,922	\$ 1,885,107	\$ 353,657	\$ 6,936,364	\$ 1,201,786	\$ 594,315	\$ 1,796,101	\$ 8,732,465
Living assistance	667,758	42,625	19,391	782,197	211,412	67,519	1,790,902	-0-	-0-	-0-	1,790,902
Training and employment assistance	80	153,149	-0-	1,503	5,344	-0-	160,076	-0-	-0-	-0-	160,076
Office	76,470	52,996	17,512	419,730	132,953	20,605	720,266	244,834	261,233	506,067	1,226,333
Depreciation	26,298	14,075	1,670	319,607	158,446	12,989	533,085	67,376	5,843	73,219	606,304
Interest	-0-	-0-	-0-	59,141	29,929	-0-	89,070	57,074	-0-	57,074	146,144
Operations and support services	279,851	138,137	1,334	842,571	178,512	41,011	1,481,416	19,639	2,231	21,870	1,503,286
Other	31,689	24,612	10,223	57,611	46,799	47,701	218,635	176,807	61,003	237,810	456,445
Total Expenses	\$ 2,207,829	\$ 1,307,334	\$ 474,385	\$ 4,748,282	\$ 2,648,502	\$ 543,482	\$ 11,929,814	\$ 1,767,516	\$ 924,625	\$ 2,692,141	\$ 14,621,955
% of total expense by activity	15.1%	8.9%	3.3%	32.5%	18.1%	3.7%	81.6%	12.1%	6.3%	18.4%	100.0%

See notes to financial statements and independent auditor's report

INTERFAITH COMMUNITY SERVICES, INC.
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in net assets	\$ (544,582)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	606,304
Realized and unrealized gain on investments	(609,462)
Contribution of securities	(103,853)
Changes in operating assets and liabilities:	
Grants and Contracts receivable	58,582
Prepaid expenses and other current assets	(28,073)
Accounts payable	53,023
Accrued expenses	70,911
Accrued interest	<u>42,356</u>
Net cash used by operating activities	<u>(454,794)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(281,994)
Purchases of investments	(1,412,000)
Proceeds from sales of investments	<u>461,435</u>
Net cash used by investing activities	<u>(1,232,559)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on notes payable	<u>(296,550)</u>
Net cash used by financing activities	<u>(296,550)</u>
NET DECREASE IN CASH	(1,983,903)
CASH, BEGINNING OF YEAR	<u>3,950,667</u>
CASH, END OF YEAR	<u>\$ 1,966,764</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest paid	<u>\$ 103,788</u>

See notes to financial statements and independent auditor's report

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A - ORGANIZATION

Nature of Activities

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Contributions

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

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

Measure of Operations

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

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

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

Use of estimates

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

Fair value measurements

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements - (Continued)

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, 2019, 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 at June 30, 2019, 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, 2019

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. At June 30, 2019, 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 San Diego. Realized and unrealized gains and losses on investments are included in the change in net assets in the Statement of Activities.

Property and equipment

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 expense in the period in which the services are performed.

In addition, the Organization receives a substantial amount of nonprofessional services donated by volunteers in carrying out the Organization's program services. These services do not meet the generally accepted accounting principles criteria as contributions and are, therefore, not recognized in the financial statements.

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.

At June 30, 2019, the federal statute of limitations remains open for the 2016 through 2019 tax years. The statute of limitations for the state income tax returns remains open for the 2015 through 2019 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, 2019

NOTE D - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets at June 30, 2019, consisted of the following:

Other accounts receivable	\$ 117,338
Prepaid software	60,805
Prepaid insurance	22,181
Deposits and prepaid rent	<u>16,278</u>
 Total other current assets	 <u>\$ 216,602</u>

NOTE E - UNAMORTIZED DONATED RENT

In January 2014, the Organization entered into a ten year agreement to provide Veterans' services in exchange for free rent at 1617 Mission Avenue, Oceanside, CA. This agreement expires January 30, 2024. The Organization began providing services at this location on April 1, 2014. The unamortized donated rent of \$125,108 represents the fair market value of the rent for the remaining 55 months of this agreement discounted by five percent.

NOTE F - PROMISES TO GIVE

As of June 30, 2019, the Organization did not have any promises to give.

NOTE G - INVESTMENTS

The Organization's Level 2 investments consist of endowment and long-term investment funds held by the Jewish Community Foundation 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 at June 30, 2019:

	Level 1	Level 2	Total
Domestic equities	-0-	1,492,646	1,492,646
International equities	-0-	3,908,907	3,908,907
Domestic fixed income	-0-	2,779,568	2,779,568
International fixed income	-0-	689,419	689,419
Other	-0-	<u>321,732</u>	<u>321,732</u>
	<u>\$ -0-</u>	<u>\$9,192,272</u>	<u>\$ 9,192,272</u>

INTERFAITH COMMUNITY SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE G - INVESTMENTS (Continued)

Investment return for the year ended June 30, 2019, consisted of the following:

Interest and dividends	\$ 476,065
Realized and unrealized gains and losses	202,700
Investment fees	<u>(30,534)</u>
	<u>\$ 648,231</u>

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

Construction in progress	\$ 56,030
Land	6,038,870
Buildings	15,464,289
Leasehold improvements	632,822
Furniture and equipment	702,778
Software	54,845
Vehicles	<u>256,948</u>
	23,206,582
Less accumulated depreciation	<u>(6,548,561)</u>
	<u>\$ 16,658,021</u>

NOTE I - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Cash	\$ 1,966,764
Investments	9,192,272
Contracts receivable	2,089,697
Prepaid expenses and other current assets	216,602
Unamortized donated rent	<u>125,108</u>
Financial assets available within 1 year	13,590,443

INTERFAITH COMMUNITY SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE I - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Less those unavailable for general expenditures within one year due to:	
Restricted by donors in perpetuity	(5,482,843)
Restricted by donors in purpose or time	<u>(464,615)</u>
Total amounts unavailable for general expenditures within 1 year	<u>(5,947,458)</u>
Amounts unavailable to management without Board's approval	
Board designated long-term investments	<u>(3,286,998)</u>
Total financial assets available to management for general expenditures within 1 year	<u>\$ 4,355,987</u>

NOTE J - LINE OF CREDIT

The Organization has a line of credit with First Citizens Bank in the amount of \$500,000 that is secured by all personal property of the Organization. Interest is payable monthly at the greater of 1.5% above the Wall Street Journal's prime rate (6.5% at June 30, 2019) or the floor rate of 6.5%. The line of credit expires in July, 2020. The Organization had no outstanding balance at June 30, 2019.

NOTE K - NOTES PAYABLE

Notes payable at June 30, 2019, consisted of the following:

Note payable to First Citizens Bank in monthly payments of \$11,390 including interest at 3.25% per annum, secured by real property, due April 2021.	\$ 824,407
Note payable to City of Escondido for \$443,000, secured by real property, due December 2018. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Home Project provides positive cash flow. There were no required payments made during the year ended June 30, 2019.	443,000

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K - NOTES PAYABLE (Continued)

Note payable to City of Escondido for \$450,000, secured by real property, due June 2072. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Home Project II provides positive cash flow. There were no required payments made during the year ended June 30, 2019.	450,000
Note payable to Union Bank in aggregate monthly payments of \$3,182 including interest at 4.50% per annum, secured by real property, due July 2025.	205,180
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.	1,145,817
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, NA. Annual payments of principal and interest (3.00% per annum) are due only to the extent that the Garfield Program provides positive cash flow. There were no required payments made during the year ended June 30, 2019.	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 year ended June 30, 2019.	245,000
Note payable to Wells Fargo Bank in monthly payments of \$1,416 including interest at 5.50% per annum, secured by real property, remaining balance of principal and interest due December 2020.	24,431

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE K - NOTES PAYABLE (Continued)

Mortgage payable to Greenwich Investors in monthly payments of \$845 including adjustable rate interest interest of 0.50% above bank prime rate (6% at June 30, 2019) secured by real property due June 2025. 56,657

\$ 3,744,492

Future principal payments on notes payable at June 30, 2019, are due as follows:

Year Ending	
<u>June 30,</u>	
2020	\$ 666,862
2021	822,613
2022	106,243
2023	111,461
2024	116,811
Thereafter	<u>1,920,502</u>
	<u>\$ 3,744,492</u>

Notes payable contain certain financial and non-financial covenants for which the Organization was in compliance as of June 30, 2019.

NOTE L - COMMITMENTS

The Organization leases eight copiers requiring monthly lease payments of \$1,100 through lease maturity in July, 2021. Total lease expense was \$13,195 for the period ended June 30, 2019.

The Organization leases one copier requiring lease payments of \$128 through lease maturity in November, 2022. Total lease expense was \$1,541 for the period ended June 30, 2019.

The Organization leases warehouse space which expires August 2020. The monthly lease payment was \$4,154. Total lease expense was \$49,522 for the period ended June 30, 2019.

Future minimum lease payments under operating leases at June 30, 2019, are due as follows:

INTERFAITH COMMUNITY SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE L - COMMITMENTS (Continued)

Year Ending June 30,	
2020	\$ 65,866
2021	27,548
2022	2,641
2023	<u>642</u>
Total lease payments	<u>\$ 96,697</u>

NOTE M - 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 Statement of Financial Position. The contribution amount is to be repaid in the event that the property is sold or is no longer used for its designated purpose.

The Organization has not expressed intent to sell the property and plans to continue to operate the facility consistent with it's 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, 2019

NOTE N - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following at June 30, 2019:

Purpose and Time Restrictions:	
Transitional Youth Academy	\$ 60,068
Veteran services	175,579
Food distribution	39,220
Immigration services	36,237
Other	28,403
Time Restrictions:	
Unamortized donated rent	<u>125,108</u>
	<u>\$ 464,615</u>

NOTE O - NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT

The Organization's donor-restricted endowment consists of pooled funds at the Jewish Community Foundation of San Diego and is established for a variety of purposes, including to serve children's needs and those of their families. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies 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 with the standard of prudence prescribed by UPMIFA.

INTERFAITH COMMUNITY SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE O - NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT (Continued)

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 effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the Organization.
- 7) The investment policies of the Organization.

At June 30, 2019, the endowment net asset composition by type of fund, consisted of the following:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ 209,206	\$ 5,482,843	\$ 5,692,049

Changes in endowment net assets for the year ended June 30, 2019, consisted of the following:

	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 44,664	\$ 5,482,843	\$ 5,527,507
Activity:			
Interest and dividends	315,539	-0-	315,539
Realized and unrealized gains	132,564	-0-	132,564
Investment expense	(21,191)	-0-	(21,191)
Appropriations	<u>(262,370)</u>	<u>-0-</u>	<u>(262,370)</u>
Net Activity	<u>164,542</u>	<u>-0-</u>	<u>164,542</u>
Endowment net assets, end of year	<u>\$ 209,206</u>	<u>\$ 5,482,843</u>	<u>\$ 5,692,049</u>

Return Objectives and Risk Parameters

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

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE O - NET ASSETS WITH DONOR RESTRICTIONS-ENDOWMENT (Continued)

Investment Strategy

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

Spending Policy

The Organization has a policy of appropriating for distribution annually an amount equal to 5% of the 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 P - BOARD DESIGNATED LONG-TERM

The Organization also has unrestricted funds held in a pooled account at the Jewish Community Foundation of San Diego. The Board of Directors has designated these funds to support the Organization for a long but unspecified period of time.

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

Board designated long-term investments, beginning of year	\$ 2,286,998
Board designated contributions	1,000,000
Board releases	<u>-0-</u>
Board designated long-term investments, end of year	<u>\$ 3,286,998</u>

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE Q - PENSION PLAN

The Organization has a 401(k) retirement plan which covers substantially all employees 18 years of age or older who have completed three months of service. A contribution to the Plan is paid monthly at a rate determined by the Board of Directors. Employee contributions to the Plan are at the discretion of each eligible employee and are matched by the Organization monthly at a percentage determined by the Board of Directors.

For the year ended June 30, 2019, the Organization contributed at a rate of 1% employer contribution and a 1% employer match. The total employer contributions to the Plan for the year ended June 30, 2019, were \$106,887.

NOTE R - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 6, 2019, 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, 2019

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	CA1693L9D011700	\$ 129,906	
Continuum of Care Program - Raymond's Refuge	14.267	CA0944L9D011708	96,509	
Continuum of Care Program - Rental Assistance Program	14.267	CA1253L9D011704	236,265	
Continuum of Care Program - Home Now	14.267	CA1601L9D011701	485,338	
Pass-through from Community Housing Works:				
Continuum of Care Program - CHW	14.267	CA0703L9D011609,	108,283	
	14.267	CA0709L9D011609 &		
	14.267	CA1025L9D011602		
Pass-through from County of San Diego:				
Continuum of Care Program - Shelter Plus Care	14.267	CA0693L9D011710	193,233	
Emergency Solutions Grant Program	14.231	556440	495,336	
Passed through to Catholic Charities	14.231	556440	264,588	264,588
Pass-through from City of Escondido:				
Emergency Solutions Grant Program	14.231	E-16-MC-06-0552	132,288	
Emergency Solutions Grant Program	14.231		26,031	
Pass-through from City of Carlsbad:				
CDBG - Coastal Services	14.218	N/A	22,034	
Pass-through from City of Escondido via Alliance for Regional Solutions:				
CDBG - Winter Shelter - Haven House	14.218	N/A	45,000	
			2,234,811	264,588
<u>U.S. Department Of Labor</u>				
Direct program:				
Homeless Veterans Reintegration Project	17.805	HV-32113-18-60-5-6	175,398	
HVRP-Homeless Female Veterans - Veterans with Families	17.805	HV-32311-18-60-5-6	104,406	
Pass-though from San Diego Workforce Partnership:				
WIOA Youth Activities - TYA WIOA	17.259	193-30	294,312	
Passed through to Mira Costa	17.259	193-30	48,970	48,970
Pass-through from California Employment Develop. Dept.:				
WIA Adult Program - VEAP	17.258	K7106365	172,266	
			795,352	48,970

See Independent Auditor's Report and Notes to Schedule of Federal Awards

INTERFAITH COMMUNITY SERVICES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - (Continued)
 Year Ended June 30, 2019

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	303,407	
Passed through to Escondido Education COMPACT	93.569	557909	21,978	21,978
SABG - Recovery and Wellness	93.959	559478	50,412	
National Family Caregiver Support - Minor Home Repair	93.052	553161	<u>73,440</u>	
			449,237	<u>21,978</u>
<u>Department of Homeland Security</u>				
Pass-through from Catholic Charities:				
Emergency Food and Shelter National Board Program	97.024	N/A	<u>26,415</u>	
			26,415	
<u>U.S. Department of Treasury</u>				
Volunteer Income Tax Assistance	21.009	17VITA0116	<u>37,183</u>	
			37,183	
<u>U.S. Department of Veteran Affairs</u>				
Direct Programs:				
VA Homeless Providers Grant & Per Diem Program-Oceanside SITH	64.024	ICS1714-0841- 664-SI-19CA	578,472	
VA Homeless Providers Grant & Per Diem Program-Recuperative Beds	64.024	VA262-12-D- 0144	628,010	
VA Homeless Providers Grant & Per Diem Program-Bridge Housing	64.024	ICSI714-0325- 664-BH-18-0	<u>158,618</u>	
			1,365,100	
			<u>\$ 4,908,098</u>	<u>\$ 335,536</u>
Total Expenditures of Federal Awards				

See Independent Auditor's Report and Notes to Schedule of Federal Awards

INTERFAITH COMMUNITY SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2019. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

3. Indirect Cost Rate

The Organization is using agreed upon indirect cost rates stipulated in it's contracts and has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

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, (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and 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 December 6, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the Organization'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.

Dunn ; Ant
Gurrera & Associates

San Diego, California
December 6, 2019

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

We have audited Interfaith Community Services, Inc.'s (the "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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with the 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, 2019.

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 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.

Report on Internal Control over Compliance - (Continued)

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.

Report on schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Interfaith Community Services, Inc., as of and for the year ended June 30, 2019, and have issued our report thereon dated December 6, 2019, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Dum : ast
Gurrera & Associates

San Diego, California
December 6, 2019

INTERFAITH COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Any noncompliance material to the financial statements noted No

Federal Awards

Internal control over major programs:

- 3. Material weakness(es) identified? No
- 4. 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) Yes

INTERFAITH COMMUNITY SERVICES, INC.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Expenditures
14.267	Continuum of Care Program	\$ 1,249,534
14.231	Emergency Solutions Grant Program	918,243
	<u>WIOA CLUSTER</u>	
17.258	WIOA Adult Program	172,266
17.259	WIOA Youth Activities	<u>343,282</u>
	Total WIOA Cluster	515,548
	Total Expenditures of All Major Federal Programs	<u>\$ 2,683,325</u>
	Total Expenditures of Federal Awards	<u>\$ 4,908,098</u>
	Percentage of Total Expenditures of Federal Awards	<u>55%</u>

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 - Major Federal Award Program Audits

U.S Department of Housing and Urban Development
 Program name: Emergency Solutions Grant Program

Finding 2019 - 001

Criteria: The contract requires client files to be maintained for each person with the appropriate supporting documents.

Condition and Context: Out of sixty-seven client files that we reviewed there were eight participants that did not have separate and stand alone files maintained for the Emergency Solutions Grant Contract.

Known Questioned Costs: None. Finding relates to record keeping.

INTERFAITH COMMUNITY SERVICES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Effect: The Organization's own policies for record keeping were not being adhered to.

Cause: The personnel assigned to this program were not following the Organization's internal policies.

Recommendation: We recommend that individual and stand alone client files be maintained for each person from the beginning of their participation in the program.

Views of Responsible Officials and Corrective Action Plan:

Interfaith acknowledges that agency policies and procedures were not fully followed. Interfaith takes contract compliance very seriously and corrective measures have been taken. Supervisory staff directly responsible for non-compliance with agency policies are no longer with the agency, and additional quality assurance and compliance measures have been instituted to prevent omissions. The Compliance Department, Chief Program Officer, and Board Compliance Committee will monitor the program closely.

Section III - Prior Year Findings

A. Prior Year Findings - Financial Statement Audit

No financial statement findings in the prior year.

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

No prior year findings or questioned costs.

INTERFAITH COMMUNITY SERVICES, INC.
 Supplementary Information
 For the Year Ended June 30, 2019

CASAWorks Apartments
 99-FMTW-010
 Statement of Operations
 For the Year Ended June 30, 2019

Acct No.		<u>FY2019</u>
	<u>Rent Revenue:</u>	
5120	Rent revenue	\$ 46,521
5121	Tenant assistance payments	54,253
5100T	Total Rent Revenue	<u>\$ 100,774</u>
5152N	Net Rental Revenues (Rent Revenue Less Vacancies)	<u>\$ 100,774</u>
	 <u>Other Revenue:</u>	
5910	Laundry and Vending Revenue	\$ 432
5900T	Total Other Revenue	<u>\$ 432</u>
5000T	Total Revenue	<u>\$ 101,206</u>
	 <u>Administrative Expenses:</u>	
6204	Management Consultants	\$ 569
6250	Other Renting Expenses	-0-
6310	Office Salaries	1,365
6311	Office Expenses	2,665
6330	Manager of Superintendent Salaries	13,468
6340	Legal Expense - Project	4,252
6390	Misc. Administrative Expenses	681
6263T	Total Administrative Expenses	<u>\$ 23,000</u>
	 <u>Utilities Expenses:</u>	
6450	Electricity	\$ 3,108
6451	Water	8,285
6400T	Total Utilities Expenses	<u>\$ 11,393</u>
	 <u>Operating and Maintenance Expenses:</u>	
6510	Payroll	\$ 6,913
6515	Supplies	3,084
6520	Contracts	14,990
6525	Garbage and Trash Removal	3,801
6546	Heating/Cooling Repairs and Maintenance	-0-
6570	Vehicle & Maintenance Equipment Operations/Repairs	1,844
6580	Lease Expense	-0-
6590	Misc. Operating and Maintenance Expenses	-0-
6500T	Total Operating and Maintenance Expenses	<u>\$ 30,632</u>

INTERFAITH COMMUNITY SERVICES, INC.
 Supplementary Information
 For the Year Ended June 30, 2019

CASAWorks Apartments
 99-FMTW-010
 Statements of Operations - (Continued)
 For the Year Ended June 30, 2019

Acct No.		<u>FY2019</u>
<u>Taxes and Insurance:</u>		
6710	Real Estate Taxes	\$ 81
6711	Payroll Taxes (Projects' Share)	2,259
6720	Property & Liability Insurance (Hazard)	2,143
6721	Fidelity Bond Insurance	-0-
6722	Worker's Compensation	753
6723	Health Insurance & Other Employee Benefits	7,057
6790	Misc. Taxes, Licenses, Permits and Insurance	-0-
6700T	Total Taxes and Insurance	<u>\$ 12,293</u>
 <u>Supportive Services Expenses:</u>		
6990	Salaries - Client Case Management-HUD-Continuum of Care Grant	\$ 1,700
6990	Client Supportive Services Other - Daycare, Employment, Life Skills, etc.	-0-
6900T	Total Supportive Services Expenses	<u>\$ 1,700</u>
6000	Total Cost of Operations before Depreciation	<u>\$ 79,018</u>
5060	Profit (Loss) before Depreciation	<u>\$ 22,188</u>
6600	Depreciation	<u>\$ 12,598</u>
5060N	Operating Profit (Loss)	<u>\$ 9,590</u>
7100T	Net Entity Expenses	<u>\$ -0-</u>
3250	Change in Total Net Assets from Operations	<u>\$ 9,950</u>

Acct No.		<u>FY2019</u>
S1000-10	Total principal payments during audit period.	-0-
S1000-20	Total of all monthly reserve for replacement deposits.	-0-
S1000-30	Replacement Reserves, or Residual Receipts and Releases which are included in expense items.	-0-
S1000-40	Project improvement Reserves which are included as expense items.	-0-

INTERFAITH COMMUNITY SERVICES, INC.
 Supplementary Information
 For the Year Ended June 30, 2019

CASAWorks Apartments
 99-FMTW-010
 Statement of Cash Flows
 For the Year Ended June 30, 2019

Acct No.		<u>FY2019</u>
	<u>Cash Flow from Operating Activities:</u>	
S1200-010	Rental Receipts	\$ 100,774
S1200-030	Other Operating Receipts	432
S1200-050	Administrative	(8,167)
S1200-090	Utilities	(11,393)
S1200-100	Salaries and Wages	(23,446)
S1200-110	Operating and Maintenance	(23,719)
S1200-120	Real Estate Taxes	(81)
S1200-140	Property Insurance	(2,143)
S1200-150	Miscellaneous Taxes and Insurance	(10,069)
S1200-170	Other Operating Expenses	-0-
S1200-240	Net Cash Provided (used) by Operating Activities	<u>\$ 22,188</u>
	<u>Cash Flow from Investing Activities:</u>	
S1200-250	Net Deposits to the Reserve for Replacement acct.	\$ 3,408
S1200-255	Net Deposits to Other Reserves	2,371
S1200-260	Net Deposits to Residual Receipts account	-0-
S1200-330	Net Purchases of Fixed Assets	-0-
S1200-350	Net Cash (used) by Investing Activities	<u>\$ 5,779</u>
	<u>Cash Flow from Financing Activities:</u>	
S1200-360	Principal Payments - Mortgage	\$ -0-
S1200-420	Distributions	-0-
S1200-430	Contributions	-0-
S1200-450	Other Financing Activities	<u>-0-</u>
S1200-460	Net Cash Provided (used) by Financing Activities	<u>\$ -0-</u>
	<u>Net Increase (Decrease) in Cash & Cash Equivalents:</u>	<u>\$ 16,409</u>