INTERFAITH SHELTER NETWORK
OF SAN DIEGO

FINANCIAL REPORT

DECEMBER 31, 2018 AND 2017

INTERFAITH SHELTER NETWORK
OF SAN DIEGO

TABLE OF CONTENTS

JGD & Associates LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Interfaith Shelter Network of San Diego
San Diego, CA

We have audited the accompanying financial statements of Interfaith Shelter Network of San Diego (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Shelter Network of San Diego as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information
We have previously audited the 2017 financial statements of the Interfaith Shelter Network of San Diego, and we expressed an unmodified on those audited financial statements in our report dated May 1, 2018. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

San Diego, California

JGD & Associates, LLP

April 26, 2019

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

		2018		2017
Assets				
Cash	$	107,533	$	21,382
Investments (Note 1, 8)		44,819		-
Grants receivable, net		53,797		22,340
Land		382,857		382,857
Apartment building		581,570		581,570
Improvements		456,226		456,226
Less: accumulated depreciation		(624,122)		(586,384)
Total assets	$	1,002,680	$	877,991

LIABILITIES AND NET ASSETS

		2018		2017
Liabilities				
Accounts payable and accrued expenses	$	37,847	$	45,572
Line of credit - related party (Note 2)		7,000		-
Tenant deposits		5,112		3,919
Accrued interest (Note 3)		69,342		66,300
Mortgage payable (Note 3)		100,013		100,013
Total liabilities		219,314		215,804
Net assets				
Without donor restrictions		751,670		652,189
With donor restrictions (Note 6)		31,696		9,998
Total net assets		783,366		662,187
Total liabilities and net assets	$	1,002,680	$	877,991

The accompanying notes are an integral part of these financial statements.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF ACTIVITIES
December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018	2017
Revenue and support				
Government grants	$ 288,054	$ -	$ 288,054	$ 250,879
Donations	333,388	37,250	370,638	290,700
Donated stock (Note 1)	46,387	-	46,387	-
In-kind supplies and food	80,798	-	80,798	85,816
Special events	42,245	-	42,245	30,588
Rents and laundry	39,997	-	39,997	32,322
Interest income	1	-	1	15
Other income	-	-	-	20,875
Unrealized loss on stock (Note 1)	(1,568)	-	(1,568)	-
Released from restrictions	15,552	(15,552)	-	-
Total revenue and support	844,854	21,698	866,552	711,195
Expenses				
Program services				
El Nido	333,075	-	333,075	319,841
Rapid Rehousing	69,203	-	69,203	194,640
Rotational Shelter	294,818	-	294,818	260,543
Total program services	697,096	-	697,096	775,024
Supporting activities				
Management and general	35,919	-	35,919	34,133
Fundraising	12,358	-	12,358	11,633
Total general and fundraising	48,277	-	48,277	45,766
Total expenses	745,373	-	745,373	820,790
Change in net assets	99,481	21,698	121,179	(109,595)
Net assets, beginning of year	652,189	9,998	662,187	771,782
Net assets, end of year	$ 751,670	$ 31,696	$ 783,366	$ 662,187

The accompanying notes are an integral part of these financial statements.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF FUNCTIONAL EXPENSES
December 31, 2018 and 2017

	Program Services				Supporting Activities			
	El Nido	Rapid Rehousing	Rotational Shelters	Total	Management & General	Fund-Raising	2018 Total	2017 Total
Personnel								
Salaries	$ 156,573	$ 32,971	$ 125,286	$ 314,830	$ 1,394	$ -	$ 316,224	$ 303,869
Employee benefits	12,200	-	12,879	25,079	24,829	-	49,908	52,055
Payroll taxes	15,843	2,060	8,771	26,674	-	-	26,674	25,280
Subtotal Personnel	184,616	35,031	146,936	366,583	26,223	-	392,806	381,204
Administration								
Depreciation	37,738	-	-	37,738	-	-	37,738	37,738
Equipment and furnishings	-	-	378	378	1,173	-	1,551	1,601
Insurance	11,773	968	2,124	14,865	-	-	14,865	15,285
Office and miscellaneous	4,002	-	2,535	6,537	2,342	-	8,879	13,458
Postage	1,700	-	162	1,862	-	-	1,862	1,866
Printing	133	-	5,254	5,387	-	-	5,387	4,365
Professional Fees	6,329	-	9,541	15,870	3,124	-	18,994	18,528
Rent	7,740	-	22,967	30,707	-	-	30,707	30,930
Staff training	1,859	-	-	1,859	-	-	1,859	2,473
Programs								
Case management	-	-	5,290	5,290	-	-	5,290	9,218
Childcare	1,572	-	-	1,572	-	-	1,572	3,902
Client transportation	1,002	-	6,496	7,498	-	-	7,498	6,077
Emergency medical	315	-	-	315	-	-	315	-
Interest expense	3,042	-	-	3,042	-	-	3,042	3,042
In-kind supplies and food	-	-	80,798	80,798	-	-	80,798	85,816
Programs - other	1,550	31,400	-	32,950	-	-	32,950	121,188
Recreation	8,612	-	-	8,612	-	-	8,612	13,013
Repairs and maintenance	10,158	-	-	10,158	2,837	-	12,995	7,263
Supplies	8,724	-	3,494	12,218	-	-	12,218	10,931
Telephone and internet	1,557	-	4,167	5,724	220	-	5,944	7,155
Travel and transportation	790	1,804	4,676	7,270	-	-	7,270	5,312
Utilities	39,863	-	-	39,863	-	-	39,863	28,792
Fundraising								
Special events	-	-	-	-	-	12,358	12,358	11,633
Total 2018 Functional Expenses	$ 333,075	$ 69,203	$ 294,818	$ 697,096	$ 35,919	$ 12,358	$ 745,373	$ -
Total 2017 Functional Expenses	319,841	194,640	260,543	775,024	34,133	11,633	-	$ 820,790

The accompanying notes are an integral part of these financial statements.

INTERFAITH SHELTER NETWORK OF SAN DIEGO

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 121,179	$ (109,595)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,738	37,738
Unrealized loss on investments	1,568	-
Changes in operating assets and liabilities:		
Grants receivable, net	(31,457)	27,005
Accounts payable and accrued expenses	(7,725)	8,365
Tenant deposits	1,193	(10,773)
Accrued interest	3,042	3,042
Net cash provided by (used in) operating activities	125,538	(44,218)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment stock received	(46,387)	-
Net cash used in investing activities	(46,387)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit - related party	50,000	-
Payments on line of credit - related party	(43,000)	-
Net cash provided by financing activities	7,000	-
Net change in cash	86,151	(44,218)
Cash, beginning of year	21,382	65,600
Cash, end of year	$ 107,533	$ 21,382

The accompanying notes are an integral part of these financial statements.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business : The Interfaith Shelter Network of San Diego (the Organization) is a non-profit, public benefit corporation, incorporated on August 1, 2010, (formerly Ecumenical Council of San Diego County, incorporated April 24, 1970) under the laws of the State of California to work collaboratively, through its Rotational Shelter Program with local human services agencies, local governments and local congregations to provide winter shelters and other services and resources to homeless individuals and families at congregational shelter sites throughout the San Diego region. In addition, the Organization's El Nido Transitional Living Program provides housing, case management, education, counseling, transportation, childcare and other resources and services to homeless battered women with children at an eleven-unit apartment complex owned by the Organization. As an adjunct to these programs, in 2014 the Organization was contracted to provide a Rapid Rehousing service that allocated move in and rental financial assistance for program participants.

Change in Accounting Principle : In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted ASU No. 2016-14, and has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.
- The Organization has the option of presenting the statement of cash flows using the indirect method or direct method of reporting cash flows from operations. The Organization has elected to continue presenting the statement of cash flows using the indirect method.
- Investment expenses are included in net investment income.
- There are required additional disclosures related to the underwater endowments. The Organization did not have endowments during the years ended December 31, 2018 and 2017.

Financial Statement Presentation : The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

- Net assets without donor restrictions are available use at the discretion of the Board of Trustees (the board) and/or management for general purposes. From the time to time the Board designates a portion of these net assets for specific purposes which makes them available for use at management's discretion.

- Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization had $31,696 and $10,118 of net assets with donor restrictions at December 31, 2018 and 2017.

Revenue Recognition : Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions are reclassified to without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Liquidity : Interfaith Shelter Network has $161,330 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of $107,533, grants receivable of $53,797 and investments of $44,819. $31,696 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures and contributions receivable are expected to be collected within the year.

The Organization has incurred losses in the last couple years. However, management has taken efforts to increase grant revenue and donations. Management has shifted towards relying more on contributions and private grants as their main sources of revenue opposed to government grants to mitigate the risk of experiencing a similar operational loss. It is anticipated this should result in increased reserves assuming donation and foundation grants remain at or near previous years' levels. Additionally, management is pursuing a line of credit, which it could draw upon in the event of an unanticipated shortfall in cash.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit risk concentrations :	The Organization maintains cash balances at two financial institutions located in San Diego, California. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2018 and 2017, the Organization had no cash deposits in excess of federally insured amounts.
Donated goods and services :	Donated goods and services are recognized as contributions in accordance with FASB ASC 958-605 and subsections. Contributed services are recognized when the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization if not donated. During 2018 and 2017, the Organization received donated services valued at $225,850 and $247,700 that did not qualify for inclusion in the financial statements. The Organization did receive donated supplies and food in the amounts of $80,798 and $85,816, for the years ended December 31, 2018 and 2017 that qualified to be shown on the financial statements as contribution revenues and corresponding expenses. In 2018, the Organization received a stock donation from a donor with a fair value of $46,387. As of December 31, 2018, the fair value amount of the stock was $44,819 with an unrealized loss of $1,568 (See note 8).
Functional expenses :	A functional classification of expenses has been used to analyze the cost of providing various services or other activities, including Program Services and Supporting Services. Certain costs are allocated within the various categories. Program Services include all expenses incurred by the Organization for activities directly related to the purposes for which the Organization exists. Supporting Services include all expenses incurred by the Organization for activities not directly related to the Organization's purpose; these are grouped into "Management and General" and "Fundraising" costs.
Grants receivable, net :	Grants receivable consist of amounts incurred and billed for allowable costs under various grant agreements. Management estimates grants receivable to be fully collectable as of December 31, 2018 and 2017.
Income taxes :	The Organization is a public benefit not-for-profit corporation organized under the laws of the State of California. The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at December 31, 2018 or 2017 and therefore no amounts have been accrued.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued) :	The Organization's returns for fiscal years 2014 and later are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.
Property, equipment, and improvements :	Acquisitions of property and equipment of $1,000 or more are capitalized. Property and equipment are recorded at cost for purchased assets and at fair market value at the time of donation for donated assets. Maintenance and repair costs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets; 27.5 years for buildings and building improvements. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $37,738 and $37,738.
Subsequent events :	Subsequent events were evaluated by management through April 26, 2019, which is the date the financial statements were available to be issued.
Use of estimates :	The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that effect reported amounts of assets, liabilities, revenues, expenses and disclosures as of the dates and for the periods presented. Accordingly, actual results could differ from those estimates.

NOTE 2--RELATED PARTY AND RELATED PARTY TRANSACTIONS

A member of the Board of Directors is a salesman for the printing company that prints the newsletter for the Organization. The total amount paid to the printing company was $6,080 and $7,562 for the years ended December 31, 2018 and 2017.

In 2018, the Organization entered into a line of credit agreement with a related party, with no interest, secured by a mortgage upon certain property owned by the Organization and is due on demand for $50,000. As of December 31, 2018, the outstanding balance on the line of credit was $7,000.

NOTE 3--MORTGAGES PAYABLE AND CONTINGENT LIABILITY

The Organization purchased and rehabilitated an apartment complex (the Project) on March 7, 1996. The Organization obtained a promissory note from the San Diego Housing Commission totaling $964,427. The promissory note is comprised of a loan in the amount of $100,013 and a grant in the amount of $864,414.

NOTE 3--MORTGAGES PAYABLE AND CONTINGENT LIABILITY (Continued)

The $100,013 loan from the San Diego Housing Commission is required to be repaid in March 2026, along with accrued interest at 3% per year. The San Diego Housing Commission has the option to extend the due date of March 2026 for a period of up to 30 years. Annual payments up to the annual interest are required if residual receipts are earned in any year. Residual receipts are defined as all income remaining annually after the payment of all expenses of the Project, including mortgage payments, interest expenses, management expenses, utility fees, improvements, case management expenses, and other costs reasonably related to the operation of the Project. The Organization has not earned residual receipts in any month and no interest payments have been paid. Interest accrued as of December 31, 2018 and 2017 was $69,342 and $66,300.

The $864,414 grant from the San Diego Housing Commission will be forgiven in 2026 unless the Organization is determined to be in breach or default of the promissory note. A breach or default is defined by the grant to occur, if the Interfaith Shelter Network of San Diego agrees to or actually sells, conveys, transfers, or disposes of the property described in the Deed of Trust securing the note or any part of it or any interest in it, or further encumbers the property, without first obtaining the written consent of the San Diego Housing Commission. If such a breach or default occurs, the Organization would be responsible for repaying the grant amount of $864,414 plus interest accrued at 10% per year from the date of breach.

Since repayment is only required in the event of a breach, the loan has been recorded as a grant from the San Diego Housing Commission and no accrued interest is being recorded.

Accumulation of residual receipts is extremely unlikely, given the income level of the population served, and the Organization expects that default and/or breach on any provisions of the promissory note are also extremely unlikely.

NOTE 4--OPERATING LEASES

The Organization subleases certain office space from another organization (the sublessor) under a sublease agreement which matured in July 2017. The Organization extended the sublease agreement to July 31, 2020. The sublessor has a master lease agreement with a lessor for this office space.

Future minimum lease payments by year end under the office space sublease agreement are as follows:

Years ending December 31,		
2019	$	23,655
2020		14,072
Total	$	37,727

Total rental expense for the Organization was $30,707 and $30,930 for the years ended December 31, 2018 and 2017.

NOTE 5--COMMITMENTS AND CONTINGENCIES: CONTRACTS

The Organization's contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

NOTE 6—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 are expendable for the following purposes:

	2018	2017
El Nido Housing Program	$ 25,476	$ 9,778
Rotational Shelter Program	6,220	220
Total with donor restricted net assets	$ 31,696	$ 9,998

El Nido is a transitional living program for homeless mothers and their children, who have been victims of domestic violence.

The Rotational Shelter Program provides seasonal emergency shelter to homeless men, women and children in congregational facilities staffed by volunteers from more than 120 faith communities in San Diego.

NOTE 7--DEFINED CONTRIBUTION PLAN

In December 2014, the Organization established a qualified 401(k) profit sharing plan (Plan) for its employees. Employees must be at least twenty-one years of age and must be employed for twelve consecutive months in which at least 1,000 hours of service are completed in order to be eligible to participate in the plan. Employer contributions are discretionary and may range between 0% and 3% of each employee's base compensation. Participants become fully vested in employer discretionary contributions after two years of service. The Organization's Board of Directors annually determines if a contribution will be made based on the financial position of the Organization. For the years ended December 31, 2018 and 2017, the Organization made employer discretionary contributions to the Plan totaling $4,547 and $4,314.

NOTE 8--FAIR VALUE MEASUREMENTS

Pursuant to ASC 820, the Organization's marketable securities are classified as level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources in active markets for identical instruments with reasonable levels of price transparency.

As of December 31, 2018, the Organization did not have any assets or liabilities with observable inputs including quoted market prices for similar assets or liabilities in active or non-active markets (level 2) or any without observable market values that would require a high level of judgment to determine fair value (level 3).

The following table summarizes the Organization's financial assets measured at fair value on a recurring basis in accordance with ASC 820 as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Fair Value
Investment:				
Common stock	$ 44,819	$ -	$ -	$ 44,819
Total	$ 44,819	$ -	$ -	$ 44,819

NOTE 8--FAIR VALUE MEASUREMENTS (Continued)

Investment activity consisted of the following for the year ended December 31, 2018:

		2018
Unrealized loss	$	(1,568)
Total	$	(1,568)