

INTERFAITH SHELTER NETWORK
OF SAN DIEGO

FINANCIAL REPORT

DECEMBER 31, 2020 AND 2019

INTERFAITH SHELTER NETWORK
OF SAN DIEGO

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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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years 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, 2020 and 2019, 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.

San Diego, California

JGD & Associates, LLP

June 28, 2021

Interfaith Shelter Network of San Diego
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

	2020	2019
Assets		
Cash	\$ 97,986	\$ 32,557
Investments (Note 1, 9)	103,696	99,672
Grants receivable, net	236,401	69,549
Land	382,857	382,857
Apartment building	581,570	581,570
Improvements	456,226	456,226
Construction in progress	227,422	-
Less: accumulated depreciation	(699,598)	(661,860)
Total assets	\$ 1,386,560	\$ 960,571

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 38,903	\$ 39,375
Tenant deposits	600	6,635
Accrued interest (Note 3)	75,435	72,393
Mortgage payable (Note 3)	100,013	100,013
Note payable - PPP loan (Note 4)	69,925	-
Total liabilities	284,876	218,416
Net assets		
Without donor restrictions	1,071,552	710,731
With donor restrictions (Note 7)	30,132	31,424
Total net assets	1,101,684	742,155
Total liabilities and net assets	\$ 1,386,560	\$ 960,571

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

Interfaith Shelter Network of San Diego
 STATEMENTS OF ACTIVITIES
 December 31, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
Revenue and support				
Government grants	\$ 633,839	\$ -	\$ 633,839	\$ 233,952
Donations	441,622	301,149	742,771	330,210
Donated stock (Note 1)	1,060	-	1,060	46,445
In-kind supplies and food	65,617	-	65,617	112,254
Special events	28,448	-	28,448	44,501
Rents and laundry	27,905	-	27,905	51,322
Interest and dividend income	2,130	-	2,130	2,677
Realized gain on investments	-	-	-	6,917
Unrealized gain investments	837	-	837	236
Other income	6,715	-	6,715	-
Released from restrictions	<u>302,441</u>	<u>(302,441)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,510,614</u>	<u>(1,292)</u>	<u>1,509,322</u>	<u>828,514</u>
Expenses				
Program services				
El Nido	318,642	-	318,642	352,158
Housing Assistance	259,213	-	259,213	110,576
Rotational Shelter	<u>479,223</u>	<u>-</u>	<u>479,223</u>	<u>352,614</u>
Total program services	1,057,078	-	1,057,078	815,348
Supporting activities				
Management and general	92,715	-	92,715	44,411
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,966</u>
Total general and fundraising	<u>92,715</u>	<u>-</u>	<u>92,715</u>	<u>54,377</u>
Total expenses	<u>1,149,793</u>	<u>-</u>	<u>1,149,793</u>	<u>869,725</u>
Change in net assets	360,821	(1,292)	359,529	(41,211)
Net assets, beginning of year	<u>710,731</u>	<u>31,424</u>	<u>783,366</u>	<u>783,366</u>
Net assets, end of year	<u>\$ 1,071,552</u>	<u>\$ 30,132</u>	<u>\$ 1,142,895</u>	<u>\$ 742,155</u>

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

Interfaith Shelter Network of San Diego
 STATEMENTS OF FUNCTIONAL EXPENSES
 December 31, 2020 and 2019

	Program Services				Supporting Activities		2020 Total	2019 Total
	El Nido	Housing Assistance	Rotational Shelters	Total	Management & General	Fund Raising		
Personnel								
Salaries	\$ 146,409	\$ 32,405	\$ 145,129	\$ 323,943	\$ 18,339	\$ -	\$ 342,282	\$ 312,773
Employee benefits	23,845	1,753	17,019	42,617	30,269	-	72,886	53,556
Payroll taxes	8,573	1,257	13,425	23,255	6,276	-	29,531	27,132
Subtotal Personnel	<u>178,827</u>	<u>35,415</u>	<u>175,573</u>	<u>389,815</u>	<u>54,884</u>	<u>-</u>	<u>444,699</u>	<u>393,461</u>
Depreciation	37,738	-	-	37,738	-	-	37,738	37,738
Equipment and furnishings	-	-	-	-	1,963	-	1,963	2,131
Insurance	5,774	294	9,847	15,915	-	-	15,915	20,088
Office and miscellaneous	2,730	-	316	3,046	30,398	-	33,444	7,448
Postage	784	-	-	784	550	-	1,334	2,203
Printing	-	562	-	562	465	-	1,027	4,579
Professional Fees	4,520	1,036	13,238	18,794	1,978	-	20,772	20,238
Rent	11,700	2,250	23,806	37,756	-	-	37,756	34,514
Staff training	85	-	249	334	490	-	824	3,693
Case management	-	860	5,984	6,844	-	-	6,844	16,548
Childcare	2,334	-	-	2,334	-	-	2,334	8,770
Client transportation	979	368	4,834	6,181	-	-	6,181	4,712
Emergency medical	-	-	-	-	-	-	-	224
Interest expense	3,042	-	-	3,042	-	-	3,042	2,335
In-kind supplies and food	-	-	65,617	65,617	-	-	65,617	112,254
Programs - other	5,309	217,917	140,065	363,291	-	-	363,291	80,875
Recreation	8,654	-	-	8,654	-	-	8,654	11,066
Repairs and maintenance	16,215	-	2,603	18,818	-	-	18,818	30,907
Supplies	-	316	31,278	31,594	-	-	31,594	5,083
Telephone and internet	-	100	2,959	3,059	-	-	3,059	6,464
Travel and transportation	84	95	2,854	3,033	288	-	3,321	8,786
Utilities	39,867	-	-	39,867	1,699	-	41,566	45,642
Special events	-	-	-	-	-	-	-	9,966
Total 2020 Functional Expenses	<u>\$ 318,642</u>	<u>\$ 259,213</u>	<u>\$ 479,223</u>	<u>\$ 1,057,078</u>	<u>\$ 92,715</u>	<u>\$ -</u>	<u>\$ 1,149,793</u>	<u>\$ -</u>
Total 2019 Functional Expenses	<u>\$ 352,158</u>	<u>\$ 110,576</u>	<u>\$ 352,614</u>	<u>\$ 815,348</u>	<u>\$ 44,411</u>	<u>\$ 9,966</u>	<u>\$ -</u>	<u>\$ 869,725</u>

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

Interfaith Shelter Network of San Diego
STATEMENTS OF CASH FLOWS
December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 359,529	\$ (41,211)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	37,738	37,738
Unrealized/realized gain on investments	(843)	(5,731)
Interest and dividends	(2,121)	(2,677)
Changes in operating assets and liabilities:		
Grants receivable, net	(166,852)	(15,752)
Accounts payable and accrued expenses	(472)	1,528
Tenant deposits	(6,035)	1,523
Accrued interest	3,042	3,051
	223,986	(21,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(227,422)	-
Investment stock received	(1,060)	(46,445)
	(228,482)	(46,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP loan proceeds	69,925	
Payments on line of credit - related party	-	(7,000)
	69,925	(7,000)
Net change in cash	65,429	(74,976)
Cash, beginning of year	32,557	107,533
Cash, end of year	\$ 97,986	\$ 32,557

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

Interfaith Shelter Network of San Diego
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 Housing Assistance service that allocated move in and rental financial assistance for program participants.
- Financial Statement Presentation : In accordance with ASU No. 2016-14, 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 \$30,132 and \$31,424 of net assets with donor restrictions at December 31, 2020 and 2019.
- Revenue Recognition : Under ASC 606, the Organization follows a five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price for the contract; (4) allocate the transaction price to the performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. In accordance with ASC 606, contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restriction.

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

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

Liquidity : Interfaith Shelter Network has \$438,083 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$97,986, grants receivable of \$236,401 and investments of \$103,696. \$30,132 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.

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.

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, 2020 and 2019, 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 2020 and 2019, the Organization received donated services valued at \$114,800 and \$270,000 that did not qualify for inclusion in the financial statements.

The Organization did receive donated supplies and food in the amounts of \$65,617 and \$112,254, for the years ended December 31, 2020 and 2019 that qualified to be shown on the financial statements as contribution revenues and corresponding expenses.

The Organization received stock donations from donors with a fair value of \$1,060 and \$46,445 for the years ended December 31, 2020 and 2019, respectively.

NOTE --SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019.

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, 2020 or 2019 and therefore no amounts have been accrued.

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, 2020 and 2019 was \$37,738 and \$37,738.

Subsequent events : Subsequent events were evaluated by management through June 28, 2021, 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 \$0 and 3,631 for the years ended December 31, 2020 and 2019.

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 was due on demand for \$50,000. The Organization had an outstanding balance of \$7,000 as of December 31, 2018 and the line of credit was paid back in full during the year ended December 31, 2019.

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.

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, 2020 and 2019 was \$75,435 and \$72,393, respectively.

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--NOTE PAYABLE - PPP LOAN

On March 27, 2020, the "Coronavirus Aid, Relief and Economic Security (CARES) Act" was put into law. The CARES Act appropriated funds for the SBA Payroll Protection program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Organization applied for and received funding on May 18, 2020 in the amount of \$69,925 under this program. The Loan has an interest rate of 1.0% per annum. After proceeds of this Loan have been expended by the Organization during the Covered Period (24-week period that begins at the date the proceeds are received), the Organization may submit to the Lender a request for forgiveness of the Loan. If the entire principal balance of this Loan and accrued interest is not forgiven, then payments become due six months after the end of the covered period and continue each month thereafter in eighteen monthly payments until the maturity date. The Organization applied for and received full forgiveness for the loan in March 2021.

NOTE 5--OPERATING LEASES

The Organization subleases certain office space from another organization (the sublessor) under a sublease agreement which matured in July 2017. The Organization has signed multiple extensions to the sublease agreement through July 31, 2023. 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, 2020

2021	\$	28,422
2022		29,275
2023		17,372
2024		-
Total	\$	<u>75,069</u>

Total rental expense for the Organization was \$37,756 and \$34,514 for the years ended December 31, 2020 and 2019.

NOTE 6--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 7--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 are expendable for the following purposes:

	<u>2020</u>	<u>2019</u>
El Nido Housing Program	\$ 5,184	\$ 23,092
Rotational Shelter Program	<u>24,948</u>	<u>8,332</u>
Total with donor restricted net assets	\$ <u>30,132</u>	\$ <u>31,424</u>

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 8--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, 2020 and 2019, the Organization made employer discretionary contributions to the Plan totaling \$6,910 and \$5,443, respectively.

NOTE 9--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, 2020 and 2019, 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, 2020 and 2019 :

	<u>Assets at Fair Value as of December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investment:				
Cash equivalents	38,731	-	-	38,731
Mutual funds	<u>64,965</u>	<u>\$ -</u>	<u>-</u>	<u>64,965</u>
Total	<u>\$ 103,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,696</u>

	<u>Assets at Fair Value as of December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investment:				
Common stock	\$ 38,725	\$ -	\$ -	38,725
Mutual funds	<u>60,947</u>	<u>-</u>	<u>-</u>	<u>60,947</u>
Total	<u>\$ 99,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,672</u>

Investment activity consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,677	\$ 2,677
Unrealized gain	837	236
Realized gain	<u>-</u>	<u>6,917</u>
Total	<u>\$ 3,514</u>	<u>\$ 9,830</u>