

INTERFAITH SHELTER NETWORK OF SAN DIEGO  
FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND INTERNAL CONTROL OVER  
COMPLIANCE AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2021 AND 2020

INTERFAITH SHELTER NETWORK  
OF SAN DIEGO

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7-12
SUPPLEMENTARY INFORMATION	
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 <i>Government Auditing Standards</i> .....	13-14
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance .....	15-17
Schedule of Expenditures of Federal Awards .....	18
Notes to the Schedule of Expenditures of Federal Awards.....	19
Schedule of Findings and Questioned Costs.....	20

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2021 and 2020, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Shelter Network of San Diego as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Interfaith Shelter Network of San Diego and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### **Supplementary 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 schedule of expenditures of federal awards 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 June 23, 2022, on our consideration of Interfaith Shelter Network of San Diego'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 Interfaith Shelter Network of San Diego'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 Interfaith Shelter Network of San Diego's internal control over financial reporting and compliance.



San Diego, California  
June 23, 2022

Interfaith Shelter Network of San Diego  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash	\$ 242,113	\$ 97,986
Investments (Note 1, 9)	162,362	103,696
Grants receivable, net	367,017	236,401
Land	382,857	382,857
Apartment building	581,570	581,570
Improvements	456,226	456,226
Construction in progress	450,360	227,422
Less: accumulated depreciation	<u>(737,336)</u>	<u>(699,598)</u>
<b>Total assets</b>	<u>\$ 1,905,169</u>	<u>\$ 1,386,560</u>

LIABILITIES AND NET ASSETS

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 31,673	\$ 38,903
Tenant deposits	2,350	600
Accrued interest (Note 3)	78,477	75,435
Mortgage payable (Note 3)	100,013	100,013
Note payable - PPP loan (Note 4)	<u>-</u>	<u>69,925</u>
<b>Total liabilities</b>	<u>212,513</u>	<u>284,876</u>
<b>Net assets</b>		
Without donor restrictions	1,680,431	1,071,552
With donor restrictions (Note 7)	<u>12,225</u>	<u>30,132</u>
<b>Total net assets</b>	<u>1,692,656</u>	<u>1,101,684</u>
<b>Total liabilities and net assets</b>	<u>\$ 1,905,169</u>	<u>\$ 1,386,560</u>

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

Interfaith Shelter Network of San Diego  
STATEMENTS OF ACTIVITIES  
Years ended December 31, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
<b>Revenue and support</b>				
Government grants	\$ 1,749,798	\$ -	\$ 1,749,798	\$ 633,839
Donations	582,563	342,573	925,136	742,771
Donated stock (Note 1)	54,204	-	54,204	1,060
In-kind supplies and food	45,458	-	45,458	65,617
Special events	38,996	-	38,996	28,448
Rents and laundry	24,676	-	24,676	27,905
Interest and dividend income	3,335	-	3,335	2,130
Unrealized gain on investments	1,823	-	1,823	837
Other income	70,185	-	70,185	6,715
Released from restrictions	360,480	(360,480)	-	-
<b>Total revenue and support</b>	<u>2,931,518</u>	<u>(17,907)</u>	<u>2,913,611</u>	<u>1,509,322</u>
<b>Expenses</b>				
Program services				
El Nido	301,497	-	301,497	318,642
Housing Assistance	85,716	-	85,716	259,213
Rotational Shelter	1,877,172	-	1,877,172	479,223
<b>Total program services</b>	2,264,385	-	2,264,385	1,057,078
Supporting activities				
Management and general	56,003	-	56,003	92,715
Fundraising	2,251	-	2,251	-
<b>Total general and fundraising</b>	<u>58,254</u>	<u>-</u>	<u>58,254</u>	<u>92,715</u>
<b>Total expenses</b>	<u>2,322,639</u>	<u>-</u>	<u>2,322,639</u>	<u>1,149,793</u>
<b>Change in net assets</b>	608,879	(17,907)	590,972	359,529
<b>Net assets, beginning of year</b>	<u>1,071,552</u>	<u>30,132</u>	<u>1,101,684</u>	<u>742,155</u>
<b>Net assets, end of year</b>	<u>\$ 1,680,431</u>	<u>\$ 12,225</u>	<u>\$ 1,692,656</u>	<u>\$ 1,101,684</u>

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

Interfaith Shelter Network of San Diego  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years ended December 31, 2021 and 2020

	Program Services				Supporting Activities		2021 Total	2020 Total
	El Nido	Housing Assistance	Rotational Shelters	Total	Management & General	Fundraising		
<b>Personnel</b>								
Salaries	\$ 136,787	\$ 15,307	\$ 194,354	\$ 346,448	\$ 14,530	\$ -	\$ 360,978	\$ 342,282
Employee benefits	26,965	529	19,453	46,947	17,512	-	64,459	72,886
Payroll taxes	8,704	264	8,725	17,693	14,504	-	32,197	29,531
Subtotal Personnel	<u>172,456</u>	<u>16,100</u>	<u>222,532</u>	<u>411,088</u>	<u>46,546</u>	<u>-</u>	<u>457,634</u>	<u>444,699</u>
Depreciation	37,738	-	-	37,738	-	-	37,738	37,738
Equipment and furnishings	508	226	3,417	4,151	1,682	-	5,833	1,963
Insurance	8,112	641	7,141	15,894	25	-	15,919	15,915
Office and miscellaneous	1,211	385	2,076	3,672	1,781	-	5,453	33,444
Postage	131	-	-	131	531	-	662	1,334
Printing	-	-	-	-	125	-	125	1,027
Professional fees	5,047	631	17,666	23,344	43	-	23,387	20,772
Rent	14,361	4,550	35,929	54,840	210	-	55,050	37,756
Staff training	76	200	751	1,027	2,079	-	3,106	824
Case management	-	750	2,208	2,958	-	-	2,958	6,844
Childcare	1,716	-	-	1,716	-	-	1,716	2,334
Client transportation	-	148	6,716	6,864	-	-	6,864	6,181
Emergency medical	67	-	-	67	-	-	67	-
Interest expense	3,042	-	-	3,042	-	-	3,042	3,042
In-kind supplies and food	6,012	-	45,458	51,470	-	-	51,470	65,617
Programs - other	53	61,772	1,152,348	1,214,173	20	-	1,214,193	363,291
Recreation	3,199	-	-	3,199	-	-	3,199	8,654
Repairs and maintenance	19,785	-	400	20,185	-	-	20,185	18,818
Supplies	885	-	364,347	365,232	627	-	365,859	31,594
Telephone and internet	2,956	313	3,478	6,747	2,174	-	8,921	3,059
Travel and transportation	233	-	12,705	12,938	160	-	13,098	3,321
Utilities	23,909	-	-	23,909	-	-	23,909	41,566
Special events	-	-	-	-	-	2,251	2,251	-
<b>Total 2021 Functional Expenses</b>	<u>\$ 301,497</u>	<u>\$ 85,716</u>	<u>\$ 1,877,172</u>	<u>\$ 2,264,385</u>	<u>\$ 56,003</u>	<u>\$ 2,251</u>	<u>\$ 2,322,639</u>	<u>\$ -</u>
<b>Total 2020 Functional Expenses</b>	<u>\$ 318,642</u>	<u>\$ 259,213</u>	<u>\$ 479,223</u>	<u>\$ 1,057,078</u>	<u>\$ 92,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,149,793</u>

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, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 590,972	\$ 359,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,738	37,738
Unrealized/realized gain on investments	(1,439)	(843)
Interest and dividends	(2,001)	(2,121)
Gain on forgiveness of debt - PPP loan	(69,925)	-
Changes in operating assets and liabilities:		
Grants receivable, net	(130,616)	(166,852)
Accounts payable and accrued expenses	(7,230)	(472)
Tenant deposits	1,750	(6,035)
Accrued interest	3,042	3,042
	<b>422,291</b>	<b>223,986</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(222,938)	(227,422)
Purchases of certificate of deposits	(55,226)	(1,060)
	<b>(278,164)</b>	<b>(228,482)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
PPP loan proceeds	-	69,925
	<b>-</b>	<b>69,925</b>
<b>Net change in cash</b>	<b>144,127</b>	<b>65,429</b>
<b>Cash, beginning of year</b>	<b>97,986</b>	<b>32,557</b>
<b>Cash, end of year</b>	<b>\$ 242,113</b>	<b>\$ 97,986</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES</b>		
Forgiveness of PPP loan	<b>\$ 69,925</b>	<b>\$ -</b>

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

Interfaith Shelter Network of San Diego  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2021 and 2020

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. At December 31, 2021 and 2020, the Organization had net assets with donor restrictions of \$12,225 and \$30,132, respectively.
- 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)

Revenue recognition (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 \$771,492 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$242,113, grants receivable of \$367,017 and investments of \$162,362. \$12,225 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 opposed to government grants. 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, 2021 and 2020, 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 2021 and 2020, the Organization received donated services that did not qualify for inclusion in the financial statements valued at \$0 and \$114,800, respectively.

The Organization did receive donated supplies and food in the amounts of \$45,458 and \$65,617, for the years ended December 31, 2021 and 2020, respectively, 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 \$54,204 and \$1,060 for the years ended December 31, 2021 and 2020, respectively.

NOTE 1--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, 2021 and 2020.

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, 2021 or 2020 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, 2021 and 2020 was \$37,738 for both years.

Subsequent events : Subsequent events were evaluated by management through June 23, 2022, 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--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, 2021 and 2020 was \$78,477 and \$75,435, 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 was recorded as a grant in 1996 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 3--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:

<u>Years ending December 31,</u>	
2022	\$ 40,075
2023	17,372
2024	-
2025	-
	<hr/>
Total	\$ <u>57,447</u>

Total rental expense for the Organization was \$50,590 and \$37,756 for the years ended December 31, 2021 and 2020, respectively.

NOTE 4--COMMITMENTS AND CONTINGENCIES

Grants and 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.

Litigation

The Organization has been involved in litigation and claims in the normal course of business. The Organization does not believe the resolution of any of these matters will have a significant effect on the Organization’s financial statements.

NOTE 5--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 and 2020 are expendable for the following purposes:

	<u>2021</u>	<u>2020</u>
El Nido Housing Program	\$ 8,150	\$ 5,184
Rotational Shelter Program	<u>4,075</u>	<u>24,948</u>
Total with donor restricted net assets	<u>\$ 12,225</u>	<u>\$ 30,132</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 6--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, 2021 and 2020, the Organization made employer discretionary contributions to the Plan totaling \$6,095 and \$6,910, respectively.

NOTE 7--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, 2021 and 2020, 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).

NOTE 7--FAIR VALUE MEASUREMENTS (Continued)

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, 2021:

	<u>Assets at Fair Value as of December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investment:				
Cash equivalents	\$ 38,741	\$ -	\$ -	\$ 38,741
Mutual funds	<u>123,621</u>	<u>-</u>	<u>-</u>	<u>123,621</u>
Total	<u>\$ 162,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,362</u>

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:

	<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>

Investment activity consisted of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3,335	\$ 2,130
Unrealized gain	<u>1,823</u>	<u>837</u>
Total	<u>\$ 5,158</u>	<u>\$ 2,967</u>

## **Supplementary Information**

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*

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

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 consolidated financial statements of Interfaith Shelter Network of San Diego (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 23, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Interfaith Shelter Network of San Diego's internal control over financial reporting (internal control) as a basis for designing 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 Interfaith Shelter Network of San Diego's internal control. Accordingly, we do not express an opinion on the effectiveness of Interfaith Shelter Network of San Diego'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 entity'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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Interfaith Shelter Network of San Diego's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

JCI Associates, LLP

San Diego, California  
June 23, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Interfaith Shelter Network of San Diego's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Interfaith Shelter Network of San Diego's major federal programs for the year ended December 31, 2021. Interfaith Shelter Network of San Diego's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Interfaith Shelter Network of San Diego 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 December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Interfaith Shelter Network of San Diego and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Interfaith Shelter Network of San Diego's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

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

## **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Interfaith Shelter Network of San Diego's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Interfaith Shelter Network of San Diego's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Interfaith Shelter Network of San Diego's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "JCI Associates, LLP". The signature is written in a cursive style with a large, stylized "J" and "C".

San Diego, California  
June 23, 2022

Interfaith Shelter Network of San Diego  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development				
Emergency Solutions Grant (ESG) Program	14.231	N/A	\$ -	\$ 237,945
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	34,286
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	33,769
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	676,219
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	150,706
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	6,805
Emergency Solutions Grant (ESG) Program	14.231	N/A	-	5,539
Total ESG Expenditures			-	1,145,269
Community Development Block Grant (CDBG) Program				
Rotational Shelter Program	14.218	N/A	-	4,931
Rotational Emergency Shelter Program	14.218	N/A	-	6,189
Emergency Rental Assistance Program	14.218	N/A	-	58,781
Homeless Prevention Services Program	14.218	N/A	-	17,908
Coronavirus Program	14.218	N/A	-	14,708
Alliance for Regional Solutions Bridge to Housing Shelter Program	14.218	N/A	-	17,216
Alliance for Regional Solutions Bridge to Housing Shelter Program	14.218	N/A	-	12,861
Total CDBG Expenditures			-	132,593
Total U.S. Department of Housing and Urban Development				
			-	1,277,862
Department of Health and Human Services, Administration for Children and Families				
Community Services Block Grant (CSBG) Program	93.569	N/A	-	38,896
Community Services Block Grant (CSBG) Program	93.569	N/A	-	90,336
Total CSBG Expenditures			-	129,232
Total Department of Health and Human Services, Administration for Children and Families				
			-	129,232
Office for Victims of Crime				
Victims of Crime Act	16.575	N/A	-	39,809
Total Office for Victims of Crime				
			-	39,809
Total Expenditures of Federal Awards				
			\$ -	\$ 1,446,903

Interfaith Shelter Network of San Diego  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2021

NOTE 1--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Interfaith Shelter Network of San Diego (the "Organization") under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of by 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.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following the cost principles contained in by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

Revenues from award programs are recognized in the period in which terms of the grant or contractual agreements have been met and the revenue earned and are included in the Organization's financial statements as "Revenue and grants from governmental agencies".

NOTE 3--INDIRECT COST RATE

Interfaith Shelter Network of San Diego elected to not use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

Interfaith Shelter Network of San Diego  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 December 31, 2021

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_yes Xno

Significant deficiencies identified? \_\_\_\_\_yes Xnone identified

Noncompliance material to financial statements noted? \_\_\_\_\_yes Xno

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? \_\_\_\_\_yes Xno

Significant deficiencies identified? \_\_\_\_\_yes Xnone identified

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 2 CFR 200.516(a)? \_\_\_\_\_yes Xno

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Expenditures</u>
14.231	Emergency Solutions Grant Program	\$ 1,145,269

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_yes Xno

**Section II - Financial Statement Findings Section**

None noted

**Section III - Federal Award Findings and Questioned Costs Section**

None noted