

INTERFAITH SHELTER NETWORK OF SAN DIEGO

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
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DECEMBER 31, 2022 AND 2021**

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Independent Auditor's Report

To the Board of Directors
Interfaith Shelter Network of San Diego

Opinion

We have audited the accompanying financial statements of Interfaith Shelter Network of San Diego (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Prior Period Financial Statements

The financial statements of Interfaith Shelter Network of San Diego as of December 31, 2021 were audited by other auditors whose report dated June 23, 2022 expressed an unmodified opinion on those statements.

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 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, including omissions, 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, 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.

Leaf & Cole LLP

San Diego, California
November 8, 2023

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS		
	<u>2022</u>	<u>2021</u>
<u>Current Assets:</u> (Notes 2, 4 and 5)		
Cash and cash equivalents	\$ 611,138	\$ 280,854
Investments	63,449	123,621
Grants receivable	76,684	367,017
Total Current Assets	<u>751,271</u>	<u>771,492</u>
<u>Noncurrent Assets:</u> (Notes 2, 6 and 7)		
Property and equipment, net	<u>1,283,997</u>	<u>1,133,677</u>
Total Noncurrent Assets	<u>1,283,997</u>	<u>1,133,677</u>
TOTAL ASSETS	<u>\$ 2,035,268</u>	<u>\$ 1,905,169</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Notes 2 and 7)		
Accounts payable and accrued expenses	\$ 39,066	\$ 31,673
Tenant deposits	3,050	2,350
Accrued interest	81,519	78,477
Mortgage payable, current portion	-	-
Total Current Liabilities	<u>123,635</u>	<u>112,500</u>
<u>Noncurrent liabilities:</u> (Note 7)		
Mortgage payable, net of current portion	<u>100,013</u>	<u>100,013</u>
Total Noncurrent Liabilities	<u>100,013</u>	<u>100,013</u>
Total Liabilities	<u>223,648</u>	<u>212,513</u>
<u>Commitments and Contingency</u> (Notes 7 and 9)		
<u>Net Assets:</u> (Notes 2 and 8)		
Without donor restrictions	1,790,508	1,680,431
With donor restrictions	21,112	12,225
Total Net Assets	<u>1,811,620</u>	<u>1,692,656</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,035,268</u>	<u>\$ 1,905,169</u>

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

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Government grants	\$ 609,645	\$ -	\$ 609,645	\$ 1,749,798	\$ -	\$ 1,749,798
Contributions	300,827	223,849	524,676	636,767	342,573	979,340
Rents and laundry	52,849	-	52,849	24,676	-	24,676
In-kind contributions	15,523	-	15,523	45,458	-	45,458
Special events (net of direct related expenses of \$13,589 and \$2,251, respectively)	14,521	-	14,521	36,745	-	36,745
Investment (loss) income	(1,823)	-	(1,823)	5,158	-	5,158
Other income	-	-	-	70,185	-	70,185
Net assets released from restrictions	214,962	(214,962)	-	360,480	(360,480)	-
Total Revenue and Support	<u>1,206,504</u>	<u>8,887</u>	<u>1,215,391</u>	<u>2,929,267</u>	<u>(17,907)</u>	<u>2,911,360</u>
Expenses:						
Program Services:						
Rotational Shelter	653,915	-	653,915	1,877,172	-	1,877,172
El Nido	294,104	-	294,104	301,497	-	301,497
Housing Assitance	60,947	-	60,947	85,716	-	85,716
Total Program Services	<u>1,008,966</u>	<u>-</u>	<u>1,008,966</u>	<u>2,264,385</u>	<u>-</u>	<u>2,264,385</u>
Supporting Services:						
General and administrative	69,348	-	69,348	56,003	-	56,003
Fundraising	18,113	-	18,113	-	-	-
Total Supporting Services	<u>87,461</u>	<u>-</u>	<u>87,461</u>	<u>56,003</u>	<u>-</u>	<u>56,003</u>
Total Expenses	<u>1,096,427</u>	<u>-</u>	<u>1,096,427</u>	<u>2,320,388</u>	<u>-</u>	<u>2,320,388</u>
Change in Net Assets	110,077	8,887	118,964	608,879	(17,907)	590,972
Net Assets at Beginning of Year	<u>1,680,431</u>	<u>12,225</u>	<u>1,692,656</u>	<u>1,071,552</u>	<u>30,132</u>	<u>1,101,684</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,790,508</u>	<u>\$ 21,112</u>	<u>\$ 1,811,620</u>	<u>\$ 1,680,431</u>	<u>\$ 12,225</u>	<u>\$ 1,692,656</u>

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

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services				Supporting Services			Total Expenses
	Rotational Shelters	El Nido	Housing Assistance	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel								
Salaries	\$ 200,761	\$ 139,190	\$ 21,820	\$ 361,771	\$ 8,300	\$ -	\$ 8,300	\$ 370,071
Employee benefits	55,238	11,068	1,374	67,680	13,809	-	13,809	81,489
Payroll taxes	18,745	8,121	1,913	28,779	4,686	-	4,686	33,465
Total Personnel	<u>274,744</u>	<u>158,379</u>	<u>25,107</u>	<u>458,230</u>	<u>26,795</u>	<u>-</u>	<u>26,795</u>	<u>485,025</u>
Case management	289,420	50,262	27,536	367,218	10,002	-	10,002	377,220
Childcare	-	1,020	-	1,020	-	-	-	1,020
Client transportation	-	600	-	600	-	-	-	600
Depreciation	-	37,737	-	37,737	-	-	-	37,737
Equipment and furnishings	-	2,073	533	2,606	11,342	-	11,342	13,948
In-kind supplies and food	15,523	-	-	15,523	-	-	-	15,523
Insurance	10,354	5,841	2,375	18,570	1,035	-	1,035	19,605
Interest expense	-	3,042	-	3,042	-	-	-	3,042
Office	1,869	9,595	224	11,688	5,395	-	5,395	17,083
Professional fees	17,001	9,214	3,160	29,375	11,161	18,113	29,274	58,649
Recreation	-	2,458	-	2,458	-	-	-	2,458
Rent	34,052	11,010	1,262	46,324	-	-	-	46,324
Staff training	100	14	-	114	153	-	153	267
Telephone and internet	3,840	2,510	750	7,100	2,272	-	2,272	9,372
Travel and transportation	7,012	349	-	7,361	1,193	-	1,193	8,554
Total Expenses	<u>\$ 653,915</u>	<u>\$ 294,104</u>	<u>\$ 60,947</u>	<u>\$ 1,008,966</u>	<u>\$ 69,348</u>	<u>\$ 18,113</u>	<u>\$ 87,461</u>	<u>\$ 1,096,427</u>

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

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services			Total Program Services	General and Administrative	Total Expenses
	El Nido	Housing Assistance	Rotational Shelters			
Personnel						
Salaries	\$ 136,787	\$ 15,307	\$ 194,354	\$ 346,448	\$ 14,530	\$ 360,978
Employee benefits	26,965	529	19,453	46,947	17,512	64,459
Payroll taxes	8,704	264	8,725	17,693	14,504	32,197
Total Personnel	<u>172,456</u>	<u>16,100</u>	<u>222,532</u>	<u>411,088</u>	<u>46,546</u>	<u>457,634</u>
Case management	-	750	2,208	2,958	-	2,958
Client transportation	-	148	6,716	6,864	-	6,864
Depreciation	37,738	-	-	37,738	-	37,738
Equipment and furnishings	508	226	3,417	4,151	1,682	5,833
In-kind supplies and food	6,012	-	45,458	51,470	-	51,470
Insurance	8,112	641	7,141	15,894	25	15,919
Interest expense	3,042	-	-	3,042	-	3,042
Miscellaneous	1,914	-	-	1,914	656	2,570
Office	1,211	385	2,076	3,672	1,781	5,453
Professional fees	5,047	631	17,666	23,344	43	23,387
Program expenses	53	61,772	1,152,348	1,214,173	20	1,214,193
Recreation	3,199	-	-	3,199	-	3,199
Rent	14,361	4,550	35,929	54,840	210	55,050
Repairs and maintenance	19,785	-	400	20,185	-	20,185
Staff training	76	200	751	1,027	2,079	3,106
Supplies	885	-	364,347	365,232	627	365,859
Telephone and internet	2,956	313	3,478	6,747	2,174	8,921
Travel and transportation	233	-	12,705	12,938	160	13,098
Utilities	23,909	-	-	23,909	-	23,909
Total Expenses	<u>\$ 301,497</u>	<u>\$ 85,716</u>	<u>\$ 1,877,172</u>	<u>\$ 2,264,385</u>	<u>\$ 56,003</u>	<u>\$ 2,320,388</u>

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

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 118,964	\$ 590,972
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,737	37,738
Net realized and unrealized loss (gain) on investments	5,318	(1,823)
Gain on forgiveness of debt - PPP loan	-	(69,925)
(Increase) Decrease in:		
Grants receivable	290,333	(130,616)
Increase (Decrease) in:		
Accounts payable and accrued expenses	7,393	(7,230)
Tenant deposits	700	1,750
Accrued interest	3,042	3,042
Net Cash Provided by Operating Activities	<u>463,487</u>	<u>423,908</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales/maturities/(purchases), net	54,854	(111,048)
Purchase of property and equipment	<u>(188,057)</u>	<u>(222,938)</u>
Net Cash Used in Investing Activities	<u>(133,203)</u>	<u>(333,986)</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	330,284	89,922
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>280,854</u>	<u>190,932</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 611,138</u>	<u>\$ 280,854</u>

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1 - Organization:

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 service 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.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and, accordingly, reflects all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires—that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates

The preparation of a financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Organization's statements of financial position includes the following financial instruments that are required to be measured at fair value on a recurring basis:

- Investments in corporate stock and mutual funds are considered Level 1 assets and are reported at fair value based on quoted prices in active markets for identical assets at the measurement date.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method, based on historical experience and management's evaluation of outstanding receivables. Management believes that all grants receivable are fully collectible; therefore, no allowance for doubtful grants receivable was recorded at December 31, 2022 and 2021.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and building improvements	27.5 years
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Depreciation totaled \$37,737 and \$37,738 for the years ended December 31, 2022 and 2021, respectively.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property, furniture, or equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2022 and 2021.

Compensated Absences

Accumulated unpaid vacation totaling \$18,328 and \$22,353 at December 31, 2022 and 2021, respectively, is accrued when earned, and included in accounts payable and accrued expenses.

Revenue Recognition

Government grants are recognized in the period in which the related work is performed in accordance with the terms of the agreement. Grants receivables are recorded when revenue earned under a grant exceeds the cash received. Grants receivables totaled \$76,684 and \$367,017 at December 31, 2022 and 2021, respectively.

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Special event revenue is recognized in the period that the event occurs.

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Note 2 - Significant Accounting Policies: (Continued)

Donated Materials and Facilities

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2022 and 2021 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

The Organization received in-kind donations of program supplies and food totaling \$15,523 and \$45,458 for the years ended December 31, 2022 and 2021, respectively, which have been recorded as in-kind contributions and functional expenses in the statements of activities.

The following table summarizes donated goods measured at fair value received for the years ended December 31:

2022				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies and food	\$15,523	Various program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.
2021				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies and food	\$45,458	Various program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

Income Taxes

The Organization is a public charity, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes (Continued)

The Organization’s Return of Organization Exempt from Income Tax for the years ended December 31, 2022, 2021, 2020 and 2019 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The Organization has not experienced any losses in such accounts. The following is a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 608,088	\$ 278,504
Tenant security deposits	3,050	2,350
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 611,138</u>	<u>\$ 280,854</u>

Accounting Pronouncement Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure movements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842, *Leases (“FASB ASC 842”)* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements. This standard is applied on a modified retrospective basis. FASB ASC 842 was adopted January 1, 2022 with certain practical expedients available. The adoption had no effect on the 2022 financial statements.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

The Organization has evaluated subsequent events through November 8, 2023, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Organization has reclassified certain prior-year information to conform with the current-year presentation.

Note 3 - Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programs, as well as, the conduct of services undertaken to support those activities, to be general expenditures.

The table below presents financial assets available for general expenditures within one year at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 611,138	\$ 280,854
Investments	63,449	123,621
Grants receivable	76,684	367,017
Financial assets available to meet general expenditures within one year	<u>\$ 751,271</u>	<u>\$ 771,492</u>

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value by classification within the fair value hierarchy at December 31:

	<u>2022</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at December 31, 2022</u>
Mutual funds - equity	\$ 62,410	\$ -	\$ -	\$ 62,410
Corporate stock	1,039	-	-	1,039
	<u>\$ 63,449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,449</u>

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Note 4 - Fair Value Measurements: (Continued)

	2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Mutual funds - equity	\$ 65,402	\$ -	\$ -	\$ 65,402
Corporate stock	58,219	-	-	58,219
	\$ 123,621	\$ -	\$ -	\$ 123,621

Note 5 - Investments:

The Organization's investments consist of the following at December 31:

	2022	2021
Mutual funds - equity	\$ 62,410	\$ 65,402
Corporate stock	1,039	58,219
Total	\$ 63,449	\$ 123,621

The following schedule summarizes the investment (loss) income without donor restrictions for the years ended December 31:

	2022	2021
Interest and dividend income	\$ 3,495	\$ 3,335
Realized and unrealized (loss) gain, net	(5,318)	1,823
Total Investment (Loss) Income	\$ (1,823)	\$ 5,158

Note 6 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2022	2021
Land	\$ 382,857	\$ 382,857
Building	581,570	581,570
Improvements	456,226	456,226
Construction in progress	638,417	450,360
Subtotal	2,059,070	1,871,013
Less: Accumulated depreciation	(775,073)	(737,336)
Property and Equipment, Net	\$ 1,283,997	\$ 1,133,677

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Note 7 - Notes Payable:

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, 2022 and 2021 totaled \$81,519 and \$78,477, 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 will 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 annual 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 8 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions and other inflows received by the Organization, which are limited in their use by the donor-imposed stipulations. Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
El Nido Housing Program	\$ 15,855	\$ 8,150
Rotational Shelter Program	<u>5,257</u>	<u>4,075</u>
Total Subject to Expenditure for Specified Purpose	<u>21,112</u>	<u>12,225</u>
Total Net Assets with Donor Restrictions	<u>\$ 21,112</u>	<u>\$ 12,225</u>

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Note 8 - Net Assets With Donor Restrictions: (Continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
El Nido Housing Program	\$ 204,095	\$ 285,257
Rotational Shelter Program	10,867	55,223
Rapid Rehousing	-	20,000
Total Net Assets Released from Restrictions	<u>\$ 214,962</u>	<u>\$ 360,480</u>

Note 9 - Commitments:

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, 2026. The sublessor has a master lease agreement with a lessor for this office space. Rent expense totaled \$45,924 and \$50,589 for the years ended December 31, 2022 and 2021, respectively, and is included with rent.

The following is a schedule of future minimum lease payments under the leases:

<u>Years Ended</u> <u>December 31</u>	
2023	\$ 33,164
2024	34,459
2025	35,493
2026	<u>24,130</u>
	<u>\$ 127,246</u>

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, 2022 and 2021, the Organization made employer discretionary contributions to the Plan totaling \$5,205 and \$6,095, respectively.

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Note 10 - Litigation:

The Organization is subject to claims that arise out of the normal course of business. The Organization maintains insurance coverage and uses various risk management activities which, combined, management believes are sufficient to ensure that the final outcome of any claims or proceedings will not have an adverse material effect on the financial position, operations, or liquidity of the Organization.