

Interfaith Ministries for Greater Houston

Consolidated Financial Statements
and Single Audit Reports
for the year ended June 30, 2022

Interfaith Ministries for Greater Houston

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Independent Auditors' Report

To the Board of Directors of
Interfaith Ministries for Greater Houston:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Interfaith Ministries for Greater Houston, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Interfaith Ministries for Greater Houston as of June 30, 2022 and 2021, 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 audits 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Interfaith Ministries for Greater Houston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Ministries for Greater Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Ministries for Greater Houston'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 Ministries for Greater Houston'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 supplementary information included in the schedule of expenditures of federal awards for the year ended June 30, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and in the schedule of expenditures of state awards for the year ended June 30, 2022 as required by the State of Texas *Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of Interfaith Ministries for Greater Houston'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 Ministries for Greater Houston'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 Ministries for Greater Houston's internal control over financial reporting and compliance.

Blazek & Vetterling

October 25, 2022

Interfaith Ministries for Greater Houston

Consolidated Statements of Financial Position as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,213,061	\$ 4,491,515
Certificates of deposit	4,003,884	5,000,000
Accounts receivable	18,042	62,317
Operating contributions receivable, net (<i>Note 3</i>):		
Government agencies	4,182,480	1,259,237
United Way allocation	696,423	324,396
Other	1,245,453	456,986
Prepaid and other assets	385,969	155,683
Food supplies (<i>Note 7</i>)	161,084	126,439
Contributions receivable for capital projects, net (<i>Note 3</i>)	6,500	25,481
Property and equipment, net (<i>Note 4</i>)	<u>16,394,086</u>	<u>14,223,581</u>
TOTAL ASSETS	<u>\$29,306,982</u>	<u>\$26,125,635</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 532,955	\$ 663,827
Accrued salaries and benefits	322,804	397,334
Construction payable	348,631	124,333
Other accrued liabilities		43,577
Refundable advances – government and other contributions	<u>1,154,762</u>	<u>220,665</u>
Total liabilities	<u>2,359,152</u>	<u>1,449,736</u>
Commitments (<i>Notes 4 and 5</i>)		
Net assets:		
Without donor restrictions	13,787,278	13,231,522
With donor restrictions (<i>Note 6</i>)	<u>13,160,552</u>	<u>11,444,377</u>
Total net assets	<u>26,947,830</u>	<u>24,675,899</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$29,306,982</u>	<u>\$26,125,635</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government awards (<i>Note 7</i>)		\$18,909,084	\$18,909,084
Government awards – nonfinancial assets (<i>Notes 7 and 8</i>)		93,450	93,450
United Way allocation		1,090,764	1,090,764
Nonfinancial assets (<i>Note 8</i>)	\$ 939,726		939,726
Other	1,053,772	7,117,630	8,171,402
Special event	646,083		646,083
Cost of direct donor benefit – special event	(179,295)		(179,295)
Program service fees	484,041		484,041
Rental income	51,375		51,375
Interest income	8,258		8,258
Other income	46,759		46,759
Total revenue	<u>3,050,719</u>	<u>27,210,928</u>	<u>30,261,647</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	25,475,305	(25,475,305)	
Satisfaction of capital restrictions	19,448	(19,448)	
Total	<u>28,545,472</u>	<u>1,716,175</u>	<u>30,261,647</u>
EXPENSES:			
Program services:			
Refugee services	14,527,720		14,527,720
Senior services	9,039,623		9,039,623
Volunteer Houston	583,375		583,375
Interfaith relations	485,737		485,737
Total program services	<u>24,636,455</u>		<u>24,636,455</u>
Supporting services:			
Management and general	1,757,927		1,757,927
Fundraising	1,419,545		1,419,545
Building rental operations	175,789		175,789
Total supporting services	<u>3,353,261</u>		<u>3,353,261</u>
Total expenses	<u>27,989,716</u>		<u>27,989,716</u>
CHANGES IN NET ASSETS	555,756	1,716,175	2,271,931
Net assets, beginning of year	<u>13,231,522</u>	<u>11,444,377</u>	<u>24,675,899</u>
Net assets, end of year	<u>\$13,787,278</u>	<u>\$13,160,552</u>	<u>\$26,947,830</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government awards (<i>Note 7</i>)		\$ 9,960,279	\$ 9,960,279
Government awards – nonfinancial assets (<i>Notes 7 and 8</i>)		15,773	15,773
United Way allocation		678,840	678,840
Nonfinancial assets (<i>Note 8</i>)	\$ 902,600		902,600
Other	1,585,639	5,517,102	7,102,741
Special event	138,660		138,660
Cost of direct donor benefit – special event	(19,317)		(19,317)
Program service fees	509,787		509,787
Rental income	81,345		81,345
Interest income on note receivable	6,974		6,974
Interest income	4,770		4,770
Other income	<u>55,271</u>		<u>55,271</u>
Total revenue	3,265,729	16,171,994	19,437,723
Net assets released from restrictions:			
Satisfaction of program restrictions	12,373,634	(12,373,634)	
Satisfaction of capital restrictions	<u>161,750</u>	<u>(161,750)</u>	
Total	<u>15,801,113</u>	<u>3,636,610</u>	<u>19,437,723</u>
EXPENSES:			
Program services:			
Refugee services	2,302,816		2,302,816
Senior services	8,518,155		8,518,155
Volunteer Houston	440,297		440,297
Interfaith relations	<u>533,695</u>		<u>533,695</u>
Total program services	<u>11,794,963</u>		<u>11,794,963</u>
Supporting services:			
Management and general	1,736,999		1,736,999
Fundraising	1,260,241		1,260,241
Building rental operations	<u>476,087</u>		<u>476,087</u>
Total supporting services	<u>3,473,327</u>		<u>3,473,327</u>
Total expenses	<u>15,268,290</u>		<u>15,268,290</u>
CHANGES IN NET ASSETS BEFORE GAIN ON NEW MARKET TAX CREDITS	532,823	3,636,610	4,169,433
Gain on new market tax credits (<i>Note 9</i>)	<u>2,149,938</u>		<u>2,149,938</u>
CHANGES IN NET ASSETS	2,682,761	3,636,610	6,319,371
Net assets, beginning of year	<u>10,548,761</u>	<u>7,807,767</u>	<u>18,356,528</u>
Net assets, end of year	<u>\$13,231,522</u>	<u>\$11,444,377</u>	<u>\$24,675,899</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 2,271,931	\$ 6,319,371
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for capital projects	(300,000)	(568,800)
Depreciation	672,164	623,838
In-kind donation of capital assets	(100,560)	(211,300)
Provision for uncollectible accounts	13,514	6,416
Loss (gain) on sale of property	(1,735)	7,935
Amortization of debt issuance costs		2,367
Gain on New Market Tax Credits transaction		(2,149,938)
Changes in operating assets and liabilities:		
Accounts receivable	44,275	89,897
Operating contributions receivable	(4,097,251)	(5,694)
Prepaid and other assets	(230,286)	(20,785)
Food supplies	(34,645)	26,281
Accounts payable	(130,872)	140,415
Accrued salaries and benefits	(74,530)	(24,656)
Other accrued liabilities	(43,577)	(73,373)
Refundable advances – government and other contributions	<u>934,097</u>	<u>(982,586)</u>
Net cash provided (used) by operating activities	<u>(1,077,475)</u>	<u>3,179,388</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,532,076)	(601,821)
Purchase of certificates of deposit		(5,000,000)
Net proceeds from sale of certificates of deposit	996,116	
Proceeds from sale of property and equipment	<u>16,000</u>	<u> </u>
Net cash used by investing activities	<u>(1,519,960)</u>	<u>(5,601,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	<u>318,981</u>	<u>935,283</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,278,454)	(1,487,150)
Cash and cash equivalents, beginning of year	<u>4,491,515</u>	<u>5,978,665</u>
Cash and cash equivalents, end of year	<u>\$ 2,213,061</u>	<u>\$ 4,491,515</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid		\$92,332

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES
	REFUGEE SERVICES	SENIOR SERVICES	VOLUNTEER HOUSTON	INTERFAITH RELATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	BUILDING RENTAL OPERATIONS	
Salaries	\$ 1,927,156	\$ 2,420,390	\$ 322,785	\$ 268,610	\$ 993,669	\$ 678,194	\$ 29,225	\$ 6,640,029
Employee benefits	404,299	672,124	67,232	62,045	207,074	165,232	8,633	1,586,639
Assistance to individuals	11,368,402	114,254						11,482,656
Food supplies		4,285,031						4,285,031
Professional fees and contract services	336,796	360,748	88,179	33,823	229,955	160,288	4,383	1,214,172
Depreciation	120,580	299,120	12,210	36,794	81,412	46,570	75,478	672,164
Occupancy	168,630	250,108	19,290	31,117	75,230	36,803	47,494	628,672
Direct mail and advertising	28,616	27,736	11,893	10,285	62,841	237,522		378,893
Insurance	31,429	195,704	1,270	4,070	35,291	5,205	6,650	279,619
Service delivery and transportation	57,398	155,774						213,172
Supplies	36,096	74,603	45,820	7,678	10,426	8,736	626	183,985
Vehicle maintenance and repair	11,726	103,403						115,129
Communications	24,829	46,144	2,609	3,182	11,463	4,541	3,258	96,026
Printing and publications	2,440	4,004	4,415	427	13,538	33,788		58,612
Meetings and travel	5,104	13,194	5,970	1,699	6,521	16,344		48,832
Postage and delivery	550	3,916	974	114	3,220	18,297		27,071
Grants to other not-for-profits				25,000				25,000
Provision for uncollectible accounts						5,425		5,425
Other	3,669	13,370	728	893	27,287	2,600	42	48,589
Total expenses	<u>\$14,527,720</u>	<u>\$ 9,039,623</u>	<u>\$ 583,375</u>	<u>\$ 485,737</u>	<u>\$ 1,757,927</u>	<u>\$ 1,419,545</u>	<u>\$ 175,789</u>	27,989,716
Cost of direct donor benefit – special event								179,295
Total								<u>\$28,169,011</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES
	REFUGEE SERVICES	SENIOR SERVICES	VOLUNTEER HOUSTON	INTERFAITH RELATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	BUILDING RENTAL OPERATIONS	
Salaries	\$ 1,001,718	\$ 2,325,324	\$ 233,028	\$ 273,418	\$ 988,238	\$ 657,566	\$ 77,621	\$ 5,556,913
Employee benefits	250,888	642,050	53,266	56,534	223,059	148,816	20,664	1,395,277
Assistance to individuals	728,074	189,773						917,847
Food supplies		3,991,575						3,991,575
Professional fees and contract services	102,269	212,144	47,059	21,351	266,136	102,594	10,794	762,347
Depreciation	64,259	262,337	5,653	24,729	45,776	29,292	191,792	623,838
Occupancy	74,040	203,246	22,594	22,259	54,979	31,609	143,008	551,735
Direct mail and advertising	18,165	11,138	19,870	20,357	41,356	226,022		336,908
Insurance	20,455	147,084	645	2,845	28,179	3,365	15,701	218,274
Service delivery and transportation	12,740	133,588						146,328
Supplies	5,436	84,387	43,590	7,291	28,076	1,882	2,730	173,392
Vehicle maintenance and repair	7,876	86,085						93,961
Communications	11,560	33,903	3,301	2,602	7,886	3,665	8,105	71,022
Printing and publications	1,665	11,998	6,987	688	14,680	20,780	13	56,811
Meetings and travel	861	3,533	1,108	847	2,608	6,030	6	14,993
Postage and delivery	386	6,602	1,931	1,309	5,634	15,589		31,451
Grants to other not-for-profits		164,464		97,321				261,785
Provision for uncollectible accounts						6,416		6,416
Interest expense	2,108	2,481	158	1,021	(225)	1,137	5,303	11,983
Other	316	6,443	1,107	1,123	30,617	5,478	350	45,434
Total expenses	<u>\$ 2,302,816</u>	<u>\$ 8,518,155</u>	<u>\$ 440,297</u>	<u>\$ 533,695</u>	<u>\$ 1,736,999</u>	<u>\$ 1,260,241</u>	<u>\$ 476,087</u>	15,268,290
Cost of direct donor benefit – special event								<u>19,317</u>
Total								<u>\$15,287,607</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Notes to Consolidated Financial Statements for the years ended June 30, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Interfaith Ministries for Greater Houston’s (Interfaith Ministries) mission is to bring people of diverse faith traditions together for dialogue, collaboration, and service, as a representation of our shared beliefs. Interfaith Ministries’ goals are to provide direct service, collaboration, and education in the following areas:

- *Refugee services* assists both newly arrived refugees and established refugees in the Greater Houston community. Refugee services provides resettlement services, employment and vocational training services, cultural orientation services, case management, medical and legal assistance services, and cash and rental assistance services.
- *Senior services* include home-delivered meals, pet food assistance, and supportive social services for homebound seniors and individuals with disabilities. Meals on Wheels delivers nutritious lunch, breakfast, weekend and emergency shelf-stable meals to thousands of individuals each day. Animeals on Wheels delivers pet food to seniors with companion animals. Client Services provide expanded assessments of client needs and refers clients to supplemental service providers.
- *Volunteer Houston*, a Points of Light affiliate program, connects individuals, groups, and companies with nonprofit agencies to transform the Greater Houston community through volunteerism. Volunteer Houston offers customized, fully-managed corporate volunteer projects that have engaged thousands of volunteers and hundreds of local nonprofits. The Serve Houston AmeriCorps program places teams of diverse, college-aspirational members at organizations across Houston to support programs promoting equitable and healthy futures for vulnerable populations.
- *Interfaith relations/community partnerships* fosters understanding, respect and engagement among people of all faith traditions through educational opportunities and community service. Interfaith relations/community partnerships provide opportunities for connection, engagement, education and training.
- *Building rental operations* serves a dual purpose for Interfaith Ministries: to bring in additional rental income to support overall occupancy costs for the organization and to provide a valuable event and convening space to the Greater Houston community. Interfaith Ministries offers its meeting spaces to nonprofit, community and governmental organizations at reduced cost or pro bono, to enhance its partnerships with those entities in furtherance of its mission.

In 2013, IM Support was organized as a Texas nonprofit corporation to secure New Market Tax Credits (NMTC) financing for the construction of the W.T. and Louise J. Moran Building and the renovations of the Albert and Ethel Herzstein Building and to hold ownership of these properties. IM Support’s board of directors is appointed by Interfaith Ministries.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of Interfaith Ministries and IM Support (collectively Interfaith). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – Interfaith Ministries and IM Support are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code, except for unrelated business income. Interfaith Ministries is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). IM Support is classified as a Type I supporting organization under §509(a)(3).

Cash equivalents are highly liquid financial instruments with original maturity dates of three months or less. Bank deposits exceed the federally insured limit per depositor per institution.

Contributions and government grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions and government grants revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Food supplies consist primarily of breakfast foods, frozen meals, and other shelf stable meals. Donated food supplies are valued at the approximate average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Additions and improvements with a cost of more than \$5,000 are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 20 to 40 years for building, 5 to 10 years for furniture and equipment, and 7 years for vehicles.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions and government awards are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions and grants received with donor stipulations that limit their use are classified as restricted support. Conditional contributions and grants are subject to one or more barriers that must be overcome before Interfaith is entitled to receive or retain funding. Conditional contributions and grants are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances and is recognized in the same manner when the conditions are met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are classified as restricted support. Awards of food commodities are recognized as revenue at fair value when received and program expense when distributed. Undistributed food commodities are included in food supplies.

Donated materials, use of facilities and services – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been reported in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Special event revenue includes elements of both contributions and exchange transactions and is recognized when the event occurs. Amounts received prior to the event occurring are reported as refundable advances. Cost of direct donor benefit represents the costs of goods and services provided to attendees of the special event.

Program service fees and accounts receivable are derived from contracts with managed care organizations and non-government service partners to provide meals, and fees charged to companies to coordinate customized and fully managed service projects. Revenue is recognized at a point in time when the services are provided in an amount that reflects the consideration Interfaith expects to be entitled to in exchange for those services. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions.

Interfaith does not assess collectability on accounts prior to providing services, does not require collateral, and does not provide financing. Subsequent changes to the estimated transaction price are generally recorded as adjustments to program service fees in the period of the change. For the years ended June 30, 2022 and 2021, adjustments arising from a change in the transaction price were not significant. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt. Revenue for contracts with managed care organizations and medical providers is billed monthly and payment is due within 10 days.

Revenue for contracts with companies for managed service projects is billed prior to the services being provided and is due within 10 days of the invoice. Amounts received prior to services being provided are recorded as refundable advances. Accounts receivable relate to Interfaith's right to consideration for services provided. Accounts receivable were \$18,042, \$62,317, and \$82,475 at June 30, 2022, 2021, and 2020, respectively.

Rental income is recognized as revenue ratably over the term of the lease.

Estimates – Management makes estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of actual time and effort expended. Depreciation is allocated based on program or supporting activity benefits from the asset being depreciated. Occupancy expenses are allocated based on square footage occupied by the program or supporting activity, and information technology costs are allocated based on the number of employees with active licenses.

Recent financial accounting pronouncements – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for Interfaith in fiscal year 2023. Upon adoption, management expects to recognize lease commitments as both a right of use asset and a lease liability in the statement of financial position for commitments that are currently only disclosed in the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. This ASU requires a financial asset, which is measured at amortized cost, to be presented at the net amount expected to be collected. This ASU eliminates the probable initial recognition threshold in current accounting principles and, instead reflects an entity’s current estimate of all expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Interfaith is required to apply the amendment in its June 30, 2023 financial statements using a modified retrospective approach. Management does not expect the adoption to have a material impact on the financial statements.

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, required contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and requires disclosure about the measurement and use of types of contributed nonfinancial assets. Interfaith Ministries adopted this ASU retrospectively in fiscal year 2022. Adoption did not have any impact on previously reported amounts on the statement of financial position or statement of activities.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,213,061	\$ 4,491,515
Certificates of deposit	4,003,884	5,000,000
Accounts receivable	18,042	62,317
Operating contributions receivable, net	<u>6,124,356</u>	<u>2,040,619</u>
Total financial assets	12,359,343	11,594,451
Less financial assets not available for general expenditure:		
Restricted by donor for use in future periods or for future projects	<u>(1,898,718)</u>	<u>(1,389,430)</u>
Total financial assets available for general expenditure	<u>\$10,460,625</u>	<u>\$10,205,021</u>

Interfaith is substantially supported by government awards and contributions and regularly monitors liquidity required to meet its operating needs while striving to maximize available funds. Interfaith considers all expenditures related to its ongoing activities of bringing people of diverse faith traditions together for dialogue, collaboration, and service, as well as the conduct of services undertaken to support

those activities, to be general expenditures. Interfaith has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, as part of its liquidity and risk management, Interfaith invests cash in excess of daily requirements in short-term investments (CDARS/CDs). Interfaith also has a committed operating line of credit in the amount of \$1 million, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2022</u>	<u>2021</u>
Contributions receivable	\$ 6,223,632	\$ 2,125,983
Discount to net present value at rates ranging from 0.87% to 3.01%	(35,676)	(2,678)
Allowance for uncollectible contributions	<u>(57,100)</u>	<u>(57,205)</u>
Contributions receivable, net	<u>\$ 6,130,856</u>	<u>\$ 2,066,100</u>

Contributions receivable at June 30, 2022 are expected to be collected as follows:

Receivable in less than one year	\$ 5,523,632
Receivable in one to five years	<u>700,000</u>
Total contributions receivable	<u>\$ 6,223,632</u>

As of June 30, 2022, approximately 84% of contributions receivable, other than receivables from government agencies, were due from three contributors. As of June 30, 2021, approximately 76% of contributions receivable, other than receivables from government agencies, were due from three contributors.

At June 30, 2022, Interfaith has approximately \$11.9 million of conditional contributions from various government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met. Interfaith will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,427,368	\$ 4,427,368
Building	11,356,965	11,039,300
Furniture and equipment	964,787	855,157
Vehicles	1,350,207	1,243,026
Construction in progress	<u>2,368,743</u>	<u>339,833</u>
Total property and equipment, at cost	20,468,070	17,904,684
Accumulated depreciation	<u>(4,073,984)</u>	<u>(3,681,103)</u>
Property and equipment, net	<u>\$16,394,086</u>	<u>\$14,223,581</u>

In June 2021, Interfaith entered into a contract with a contractor related to improvements at the Volunteer Reception Center. Additionally, Interfaith entered into a contract with a contractor related to improvements at the La Marque Meals on Wheels Facility in 2022. At June 30, 2022, Interfaith had outstanding commitments of approximately \$309,000 related to these contracts.

NOTE 5 – COMMITMENTS

Interfaith has a \$1 million revolving line of credit with a financial institution, which bears interest at prime rate. At June 30, 2022, there was no amount outstanding under the line of credit. The line of credit matures in December 2022 and is secured by accounts at the financial institution.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2022</u>	<u>2021</u>
Senior services	\$10,194,882	\$ 9,366,068
Capital acquisitions	1,220,677	940,125
Refugee services	1,108,154	1,070,680
Volunteer Houston	578,817	
Interfaith relations	<u>58,022</u>	<u>67,504</u>
Total net assets with donor restrictions	<u>\$13,160,552</u>	<u>\$11,444,377</u>

NOTE 7 – GOVERNMENT AWARDS

Interfaith Ministries is a party to agreements with government agencies. Should these agreements not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government revenue recognized include the following:

	<u>2022</u>	<u>2021</u>
Federal government awards:		
U. S. Department of Health and Human Services	\$12,279,660	\$ 5,957,045
U. S. Department of State	3,883,411	273,459
U. S. Department of Housing and Urban Development	290,786	339,120
U. S. Department of Homeland Security	185,874	195,793
U. S. Department of Agriculture	93,450	15,773
Department of the Treasury	92,589	130,000
Corporation for National and Community Service	<u>53,417</u>	<u> </u>
Total federal government awards	<u>16,879,187</u>	<u>6,911,190</u>
State government awards:		
Texas Department of Agriculture	1,758,855	1,613,100
Texas Veterans Commission	<u>241,342</u>	<u>162,184</u>
Total state government awards	<u>2,000,197</u>	<u>1,775,284</u>
Small Business Administration – Paycheck Protection Program		979,900
Families First Coronavirus Response Act:		
Employee Paid Leave	10,287	28,677
Galveston County awards	103,221	148,371
Harris County awards	1,143	122,792
Other	<u>8,499</u>	<u>9,838</u>
Total government awards	<u>\$19,002,534</u>	<u>\$ 9,976,052</u>

Government awards require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their

discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Interfaith Ministries with the terms of the agreements. Management believes such disallowances, if any, would not be material to Interfaith Ministries' financial position or changes in net assets.

Interfaith Ministries receives food commodities from The Houston Food Bank passed through from the U. S. Department of Agriculture (USDA). The value of the food is based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey and the invoiced weight provided by The Houston Food Bank. In 2022, Interfaith Ministries recognized \$93,450 of food commodity awards from USDA based on the receipt of 52,207 pounds of food at \$1.79 per pound. In 2021, Interfaith Ministries recognized \$15,773 of food commodity awards from USDA based on the receipt of 9,065 pounds of food at \$1.74 per pound, net of processing fees. As of June 30, 2022 there was \$23,028 USDA inventory. As of June 30, 2021, there was no USDA inventory.

NOTE 8 – NONFINANCIAL CONTRIBUTIONS

Interfaith recognized the following nonfinancial contributions:

<u>CONTRIBUTED NONFINANCIAL ASSET</u>	<u>MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES</u>	<u>DONOR RESTRICTIONS</u>	<u>VALUATION TECHNIQUES AND INPUTS</u>	<u>2022</u>	<u>2021</u>
Food commodities	Utilized for Meals on Wheels	None	Fair value estimated using the latest Feeding America price per pound for food commodities.	\$172,070	\$61,125
Household goods/supplies	Utilized for Meals on Wheels/Refugee Services	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	\$426,283	\$301,120
Pet food/supplies	Utilized for AniMeals on Wheels	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	\$107,550	\$116,937
Other donated goods	Utilized for multiple programs	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	\$23,184	\$42,435
Donated space/housing	Utilized for Meals on Wheels/Refugee Services	None	Fair value estimated based on current rates for similar services.	\$39,429	\$26,426
Consulting/advisory/ other services	Utilized for multiple programs	None	Fair value estimated based on current rates for similar services.	\$163,942	\$308,932
Advertising services	Utilized for multiple programs	None	Fair value estimated based on current rates for similar services.	\$100,718	\$61,398
Total contributed nonfinancial assets				\$1,033,176	\$918,373

NOTE 9 – GAIN ON NEW MARKET TAX CREDITS

In fiscal year 2014, IM Support executed loan agreements with Community Development Entities for approximately \$11.2 million to finance the construction of the W.T. and Louise J. Moran building and the renovation of the Albert and Ethel Herzstein Building. The loans qualified as low-income community investment for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended.

Additionally, Interfaith Ministries entered into an agreement to lend \$8,368,740 to Chase NMTC IM Houston Investment Fund, LLC (Chase NMTC Fund).

In August 2020, Interfaith Ministries exercised its “put right” at which time Chase NMTC Fund assumed the new market tax credits loans of \$11.2 million in exchange for the outstanding principal on the note receivable of \$8,368,740. As a result, a gain of \$2,149,938 on the exercise of new market tax credits “put right” was recognized during the year ended June 30, 2021.

NOTE 10 – EMPLOYEE BENEFIT PLAN

Interfaith Ministries offers a Safe Harbor §403(b) Thrift Plan (the Plan) that covers substantially all employees. Employees may contribute amounts to the Plan up to the limits established by the Internal Revenue Code. Interfaith Ministries matches 100% of each employee’s voluntary contributions that do not exceed 3% of the eligible compensation, and 50% of contributions exceeding 3% of eligible compensation, but not to exceed 5% of the employee’s eligible compensation. Interfaith Ministries contributed approximately \$166,000 and \$152,000 to the Plan during the years ended June 30, 2022 and 2021, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 25, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2022

<u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title & Period</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Contract Number</u>	<u>Award</u> <u>Amount</u>	<u>Allowable</u> <u>Federal</u> <u>Expenditures</u>	<u>Subrecipient</u> <u>Awards</u>
U. S. DEPARTMENT OF AGRICULTURE					
Passed through The Houston Food Bank: Emergency Food Assistance Program (Food Commodities) – Food Distribution Cluster (<i>Note 2</i>)					
#1	04/21-03/22	10.569	30375	N/A	\$ 63,749
#2	04/22-03/23	10.569	30375	N/A	<u>6,673</u>
Total U. S. Department of Agriculture					<u>70,422</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Harris County: Community Development Block Grants/Entitlement Grants – CDBG – Entitlement Grants Cluster					
#3	03/21-02/22	14.218	2021-0016	\$47,000	36,932
#4	03/22-02/23	14.218	2022-007G	\$50,000	5,914
Passed through City of Houston: Community Development Block Grants/Entitlement Grants – CDBG – Entitlement Grants Cluster					
#5	03/22-05/22	14.218	4600016648	\$247,940	<u>247,940</u>
Total U. S. Department of Housing and Urban Development					<u>290,786</u>
U. S. DEPARTMENT OF STATE					
Passed through Episcopal Migration Ministries: U. S. Refugee Admissions Program:					
#6	10/20-12/21	19.510	SPRMCO21CA3002	\$571,945	380,388
COVID-19 – U. S. Refugee Admissions Program					
#7	10/20-12/21	19.510	SPRMCO21CA3002	\$3,214	3,214
Capacity Development Funding					
#8	06/21-09/21	19.510	SPRMCO21CA3002	\$30,333	10,152
#9	01/22-09/22	19.510	SPRMCO22CA0028	\$766,595	327,241
Afghan Placement & Assistance					
#10	09/21-09/22	19.510	SPRMCO21CA3292	\$3,128,125	2,768,409
APA Additional Assistance/Capacity Development Funding					
#11	11/21-10/22	19.510	SPRMCO21CA3292	\$476,383	<u>394,007</u>
Total U. S. Department of State					<u>3,883,411</u>

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2022 (continued)

<u>FEDERAL GRANTOR</u>	Assistance		Award	Allowable	
<u>Pass-through Grantor</u>	Listing		<u>Amount</u>	Federal	Subrecipient
<u>Program Title & Period</u>	<u>Number</u>	<u>Contract Number</u>		<u>Expenditures</u>	<u>Awards</u>

DEPARTMENT OF THE TREASURY

Passed through Texas Department of Agriculture:

COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

#12	02/22-01/23	21.027	HDM2022007-129-131	\$788,820	<u>92,589</u>
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Total Department of the Treasury					<u>92,589</u>
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed through the City of Houston:

Special Programs for the Aging, Title III, Part C, Nutrition Services –
Aging Cluster

#13	10/20-09/21	93.045	4600013880	\$2,497,850	630,668
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#14	10/21-09/22	93.045	4600016648	\$2,497,850	1,872,731
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COVID-19 – Special Programs for the Aging, Title III, Part C, Nutrition Services

#15	10/20-09/21	93.045	4600013880	\$392,567	162,699
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Passed through Houston-Galveston Area Council:

Special Programs for the Aging, Title III, Part C, Nutrition Services –
Aging Cluster

#16	10/20-09/21	93.045	0002401	\$266,549	79,034
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#17	10/21-09/22	93.045	0002401	\$208,763	164,026
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COVID-19 – Special Programs for the Aging, Title III, Part C, Nutrition Services

#18	10/21-09/22	93.045	0002401	\$92,160	<u>71,303</u>
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Total 93.045					<u>2,980,461</u>
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Direct Funding:

Special Programs for the Aging, Title IV and Title II, Discretionary Projects

#19	09/20-08/21	93.048	90INNU0017-02-02	\$443,944	20,695	\$ 9,437
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#20	09/21-08/22	93.048	90INNU0017-03-00	\$371,300	<u>300,322</u>	<u>35,894</u>
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Total 93.048					<u>321,017</u>	<u>45,331</u>
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Passed through Young Men’s Christian Association of the Greater Houston Area:

Refugee and Entrant Assistance State/Replacement Designee Administered Programs

#21	10/20-09/21	93.566	TXRSS420004	\$1,042,000	209,023
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#22	10/20-09/21	93.566	TXCMA421003	\$832,772	488,950
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#23	10/21-12/21	93.566	21ADTXRSOC	\$325,479	227,937
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#24	10/21-12/21	93.566	2205TXRCMA	\$720,756	706,907
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Passed through Texas Office for Refugees:

Refugee and Entrant Assistance State/Replacement Designee Administered Programs

#25	01/22-09/22	93.566	22ABTXRSSS	\$4,301,585	3,199,242
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#26	01/22-09/23	93.566	22ABTXRSSS	\$5,151,427	<u>1,781,582</u>
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Total 93.566					<u>6,613,641</u>
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(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2022 (continued)

<u>FEDERAL GRANTOR</u> <u>Pass-through Grantor</u> <u>Program Title & Period</u>	<u>Assistance</u> <u>Listing</u> <u>Number</u>	<u>Contract Number</u>	<u>Award</u> <u>Amount</u>	<u>Allowable</u> <u>Federal</u> <u>Expenditures</u>	<u>Subrecipient</u> <u>Awards</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES <i>(continued)</i>					
Passed through Episcopal Migration Ministries:					
Refugee and Entrant Assistance Voluntary Agency Programs					
#27	10/20-03/22	93.567	2002NYRVMG	\$200,000	66,581
#28	10/21-03/23	93.567	2002NYRVMG	\$1,473,250	<u>345,462</u>
Total 93.567					<u>412,043</u>
Passed through Episcopal Migration Ministries:					
Refugee and Entrant Assistance Discretionary Grants					
#29	10/20-09/21	93.576	90RP0115	\$124,900	28,002
#30	10/21-09/22	93.576	90RP117	\$3,461,981	<u>863,275</u>
Total 93.576					<u>891,277</u>
Passed through Texas Department of Aging and Disability Services:					
Social Services Block Grant					
#31	10/20-09/21	93.667	1016489	\$1,046,362	264,162
#32	10/21-09/22	93.667	1016489	\$1,096,361	<u>797,079</u>
Total 93.667					<u>1,061,241</u>
Total U. S. Department of Health and Human Services					<u>12,279,680</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
Passed through OneStar National Service Commission:					
AmeriCorps State and National					
#33	09/21-08/22	94.006	19AFHTX001	\$53,417	<u>53,417</u>
Total Corporation for National and Community Service					<u>53,417</u>
U. S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Alliance of Community Assistance Ministries:					
Emergency Food and Shelter National Board Program					
Phase 38					
#34	01/20-10/21	97.024	38-7828-00-012	\$101,853	98,809
Emergency Food and Shelter National Board Program					
Phase 39					
#35	11/21-04/23	97.024	39-7828-00-012	\$112,190	<u>63,065</u>
Total 97.024					<u>161,874</u>

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2022 *(continued)*

<u>FEDERAL GRANTOR</u>	Assistance			Award	Allowable	
<u>Pass-through Grantor</u>	Listing			<u>Amount</u>	Federal	Subrecipient
<u>Program Title & Period</u>	<u>Number</u>	<u>Contract Number</u>			<u>Expenditures</u>	<u>Awards</u>
U. S. DEPARTMENT OF HOMELAND SECURITY <i>(continued)</i>						
Passed through Harris County Office of Homeland Security and Emergency Management:						
Homeland Security Grant Program						
#36	01/21-12/21	97.067	2972403	\$24,000	3,243	
#37	01/22-12/22	97.067	2972403	\$24,000	<u>5,826</u>	
Total 97.067					<u>9,069</u>	
Total U. S. Department of Homeland Security					<u>170,943</u>	
TOTAL FEDERAL AWARDS					<u>\$16,841,248</u>	<u>\$ 63,541</u>

See accompanying notes to schedules of expenditures of federal and state awards.

Interfaith Ministries for Greater Houston

Schedule of Expenditures of State Awards for the year ended June 30, 2022

<u>STATE GRANTOR</u>				<u>Allowable</u>
<u>Pass-through Grantor</u>		<u>Contract</u>	<u>Award</u>	<u>State</u>
<u>Program Title & Period</u>		<u>Number</u>	<u>Amount</u>	<u>Expenditures</u>
TEXAS DEPARTMENT OF AGRICULTURE				
Home-Delivered Meal Grant Program				
#S1	02/21-01/22	HDM-21-6109-6110-6111	\$1,722,888	\$ 1,003,225
#S2	02/22-01/23	HDM2022007-129-131	\$1,511,260	<u>755,630</u>
Total Texas Department of Agriculture				<u>1,758,855</u>
TEXAS VETERANS COMMISSION				
General Assistance Grant				
#S3	07/21-06/22	GT-FVA21-010	\$250,000	239,655
Passed through Honor Veterans Now:				
General Assistance Grant				
#S4	07/21-12/21	GT-FVA20-004	\$1,687	<u>1,423</u>
Total Texas Veterans Commission				<u>241,078</u>
TOTAL STATE AWARDS				<u>\$ 1,999,933</u>

See accompanying notes to schedules of expenditures of federal and state awards.

Interfaith Ministries for Greater Houston

Notes to Schedules of Expenditures of Federal and State Awards for the year ended June 30, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedules of expenditures of federal and state awards (the schedules) are prepared on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular*. Federal and state expenditures include allowable costs funded by federal and state grants. Allowable costs are subject to the cost principles of the Uniform Guidance, Department of the Treasury guidelines, and the State of Texas *Uniform Grant Management Standards*, and include both costs that are capitalized and costs that are recognized as expenses in Interfaith Ministries' financial statements in conformity with generally accepted accounting principles. Indirect costs are reported utilizing Interfaith Ministries' negotiated indirect cost rates; therefore, Interfaith Ministries does not use the 10% de minimis rate.

Because the schedules present only a selected portion of the operations of Interfaith Ministries, they are not intended to and do not present the financial position, changes in net assets, or cash flows of Interfaith Ministries.

NOTE 2 – FOOD COMMODITIES

Food commodities are recognized as federal expenditures when distributed. Distributed food is reported in the schedule of expenditures of federal awards under the Emergency Food Assistance Program and is valued at the weighted-average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey (\$1.79 in 2022).

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Interfaith Ministries for Greater Houston:

We have audited, 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, the financial statements of Interfaith Ministries for Greater Houston (Interfaith Ministries), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, of cash flows, and of functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interfaith Ministries' 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 Ministries' internal control. Accordingly, we do not express an opinion on the effectiveness of Interfaith Ministries' 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 Ministries' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

October 25, 2022

Independent Auditors' Report on Compliance for Each Major Federal and Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of Texas *Single Audit Circular*

To the Board of Directors of
Interfaith Ministries for Greater Houston:

Report on Compliance for Each Major Federal and Major State Program

Opinion on Each Major Federal and Major State Program

We have audited Interfaith Ministries for Greater Houston's (Interfaith Ministries) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Texas *Single Audit Circular* that could have a direct and material effect on each of Interfaith Ministries' major federal and major state programs for the year ended June 30, 2022. Interfaith Ministries' major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Interfaith Ministries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and Major State 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) and in the State of Texas *Single Audit Circular*. Our responsibilities under those standards and the Uniform Guidance and the State of Texas *Single Audit Circular* are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Interfaith Ministries 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 and major state program. Our audit does not provide a legal determination of Interfaith Ministries' 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 Ministries' federal and state programs.

Auditors' 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 Ministries' 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*, the Uniform Guidance and the State of Texas *Single Audit Circular* 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 Ministries' compliance with the requirements of each major federal and major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the State of Texas *Single Audit Circular*, 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 Ministries' 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 Ministries' 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 and the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of Interfaith Ministries' 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 or state 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 or state 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 or state 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 *Auditors' 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 and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

October 25, 2022

Interfaith Ministries for Greater Houston

Schedule of Findings and Questioned Costs for the year ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified qualified adverse disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditors’ report issued on compliance for major programs: unmodified qualified adverse disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a) and the State of Texas *Single Audit Circular*? yes no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs
93.567	Refugee and Entrant Assistance Voluntary Agency Programs
93.576	Refugee and Entrant Assistance Discretionary Grants

<u>Contract Number(s)</u>	<u>Name of State Program or Cluster</u>
HDM-21-6109-6110-6111 and HDM2022007-129-131	Home-Delivered Meal Grant Program

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

Dollar threshold used to distinguish between Type A and Type B state programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal and State Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with 2 CFR §200.516(a), and no findings for state awards required to be reported in accordance with §505(d) of the State of Texas *Single Audit Circular*.