

Interfaith Ministries for Greater Houston

Consolidated Financial Statements
and Single Audit Reports
for the year ended June 30, 2019

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 Financial Statements

We have audited the accompanying financial statements of Interfaith Ministries for Greater Houston, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018 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 financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Interfaith Ministries for Greater Houston as of June 30, 2019 and 2018

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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Interfaith Ministries for Greater Houston adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

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, 2019 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, 2019 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 consolidated 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 consolidated 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 22, 2019 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.



October 22, 2019

Interfaith Ministries for Greater Houston

Consolidated Statements of Financial Position as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents <i>(Note 4)</i>	\$ 4,158,250	\$ 5,229,708
Accounts and government awards receivable	931,320	731,105
Operating contributions receivable, net <i>(Note 5)</i> :		
United Way allocation	434,956	419,388
Other	763,285	741,368
Prepaid and other assets	161,108	202,642
Food supplies	229,980	194,495
Contributions receivable for capital projects, net <i>(Note 5)</i>	658,868	1,470,961
Cash restricted by notes payable <i>(Note 9)</i>	85,866	122,868
Note receivable <i>(Note 6)</i>	8,368,740	8,368,740
Property and equipment, net <i>(Note 7)</i>	<u>14,297,046</u>	<u>11,253,902</u>
TOTAL ASSETS	<u>\$30,089,419</u>	<u>\$28,735,177</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 517,449	\$ 512,187
Accrued salaries and benefits	331,512	308,697
Construction payable	185,564	
Other accrued liabilities	120,780	113,471
Deferred revenue	566,016	470,558
Notes payable <i>(Note 8)</i>	1,290,000	590,000
New Market Tax Credits notes payable, net <i>(Note 9)</i>	<u>10,487,905</u>	<u>10,459,500</u>
Total liabilities	<u>13,499,226</u>	<u>12,454,413</u>
Net assets:		
Without donor restrictions	8,822,199	7,835,099
With donor restrictions <i>(Note 10)</i>	<u>7,767,994</u>	<u>8,445,665</u>
Total net assets	<u>16,590,193</u>	<u>16,280,764</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$30,089,419</u>	<u>\$28,735,177</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government awards <i>(Note 11)</i>	\$ 8,321,588		\$ 8,321,588
Contributions:			
United Way allocation		\$ 860,818	860,818
Other <i>(Note 12)</i>	2,367,164	3,240,930	5,608,094
Special event	652,043	102,275	754,318
Cost of direct donor benefit – special event	(153,455)	(1,599)	155,054
Program fees	663,184		663,184
Rental income <i>(Note 13)</i>	103,802		103,802
Interest income on note receivable <i>(Note 6)</i>	83,687		83,687
Interest income	80,846		80,846
Other income	<u>55,756</u>		<u>55,756</u>
Total revenue	12,174,615	4,202,424	16,377,039
Net assets released from restrictions:			
Satisfaction of program restrictions	4,182,147	(4,182,147)	
Satisfaction of capital restrictions	<u>697,948</u>	<u>(697,948)</u>	
Total	<u>17,054,710</u>	<u>(677,671)</u>	<u>16,377,039</u>
EXPENSES:			
Program services:			
Senior services	9,189,040		9,189,040
Refugee services	2,651,058		2,651,058
Interfaith relations/community partnerships	<u>727,984</u>		<u>727,984</u>
Total program services	<u>12,568,082</u>		<u>12,568,082</u>
Supporting services:			
Management and general	1,613,016		1,613,016
Fundraising	1,457,151		1,457,151
Building rental operations	<u>429,361</u>		<u>429,361</u>
Total supporting services	<u>3,499,528</u>		<u>3,499,528</u>
Total expenses	<u>16,067,610</u>		<u>16,067,610</u>
CHANGES IN NET ASSETS	987,100	(677,671)	309,429
Net assets, beginning of year <i>(Note 2)</i>	<u>7,835,099</u>	<u>8,445,665</u>	<u>16,280,764</u>
Net assets, end of year	<u>\$ 8,822,199</u>	<u>\$ 7,767,994</u>	<u>\$16,590,193</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Government awards <i>(Note 11)</i>	\$ 8,438,371		\$ 8,438,371
Contributions:			
United Way allocation		\$ 840,239	840,239
Other <i>(Note 12)</i>	2,126,987	4,967,063	7,094,050
Special event	421,639	182,301	603,940
Cost of direct donor benefit – special event	(92,581)	(15,195)	(107,776)
Program fees	708,240		708,240
Rental income <i>(Note 13)</i>	118,203		118,203
Interest income on note receivable <i>(Note 6)</i>	83,687		83,687
Other income	<u>64,101</u>		<u>64,101</u>
Total revenue	11,868,647	5,974,408	17,843,055
Net assets released from restrictions:			
Satisfaction of program restrictions	4,198,881	(4,198,881)	
Satisfaction of capital restrictions	<u>410,151</u>	<u>(410,151)</u>	
Total	<u>16,477,679</u>	<u>1,365,376</u>	<u>17,843,055</u>
EXPENSES:			
Program services:			
Senior services	8,863,063		8,863,063
Refugee services	3,382,479		3,382,479
Interfaith relations/community partnerships	<u>636,205</u>		<u>636,205</u>
Total program services	<u>12,881,747</u>		<u>12,881,747</u>
Supporting services:			
Management and general	1,630,679		1,630,679
Fundraising	1,357,768		1,357,768
Building rental operations	<u>514,654</u>		<u>514,654</u>
Total supporting services	<u>3,503,101</u>		<u>3,503,101</u>
Total expenses	<u>16,384,848</u>		<u>16,384,848</u>
CHANGES IN NET ASSETS	92,831	1,365,376	1,458,207
Net assets, beginning of year <i>(Note 2)</i>	<u>7,742,268</u>	<u>7,080,289</u>	<u>14,822,557</u>
Net assets, end of year	<u>\$ 7,835,099</u>	<u>\$ 8,445,665</u>	<u>\$16,280,764</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statements of Cash Flows for the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 309,429	\$ 1,458,207
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for capital projects	(456,821)	(1,931,221)
Depreciation	485,297	437,750
In-kind donation of capital assets	(258,068)	(121,200)
Amortization of debt issuance costs	28,405	28,406
Provision for uncollectible accounts	76,998	46,264
Changes in operating assets and liabilities:		
Accounts and government awards receivable	(203,420)	479,190
Operating contributions receivable	(51,385)	261,948
Prepaid and other assets	41,534	(27,052)
Food supplies	(35,485)	(14,135)
Accounts payable	5,262	57,947
Accrued salaries and benefits	22,815	14,400
Other accrued liabilities	7,309	(8,076)
Deferred revenue	<u>95,458</u>	<u>127,128</u>
Net cash provided by operating activities	<u>67,328</u>	<u>809,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(2,384,809)</u>	<u>(258,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable		(538,638)
Proceeds from contributions restricted for capital projects	<u>1,209,021</u>	<u>1,104,568</u>
Net cash provided by financing activities	<u>1,209,021</u>	<u>565,930</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,108,460)	1,116,667
Cash and cash equivalents, beginning of year	<u>5,352,576</u>	<u>4,235,909</u>
Cash and cash equivalents, end of year	<u>\$ 4,244,116</u>	<u>\$ 5,352,576</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash and cash equivalents	\$ 4,158,250	\$ 5,229,708
Cash restricted by notes payable	<u>85,866</u>	<u>122,868</u>
Total cash and cash equivalents	<u>\$ 4,244,116</u>	<u>\$ 5,352,576</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$148,324	\$134,231
Property purchase financed with notes payable	\$700,000	

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES
	SENIOR SERVICES	REFUGEE SERVICES	INTERFAITH RELATIONS/ COMMUNITY PARTNERSHIPS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	BUILDING RENTAL OPERATIONS	
Salaries	\$ 2,359,223	\$ 1,004,969	\$ 423,418	\$ 3,787,610	\$ 922,044	\$ 548,277	\$ 82,211	\$ 5,340,142
Employee benefits	642,891	273,933	95,579	1,012,403	173,904	117,115	21,986	1,325,408
Food supplies	4,129,736			4,129,736				4,129,736
Assistance to individuals	603,025	1,028,938		1,631,963				1,631,963
Professional fees and contract services	187,845	86,841	34,088	308,774	215,240	185,820	21,798	731,632
Occupancy	260,750	74,891	35,160	370,801	69,298	44,001	110,161	594,261
Depreciation	202,854	60,022	27,553	290,429	41,327	19,651	133,890	485,297
Direct mail and advertising	20,883	14,880	19,094	54,857	4,359	323,819		383,035
Service delivery and transportation	381,609	30,770	20	412,399				412,399
Supplies	46,417	9,115	52,585	108,117	10,548	16,075	5,680	140,420
Meetings and travel	29,209	5,831	17,672	52,712	26,737	63,774	248	143,471
Insurance	96,358	19,761	5,502	121,621	17,139	3,532	17,378	159,670
Interest expense	52,276	14,410	7,339	74,025	67,215	5,234	25,753	172,227
Vehicle maintenance and repair	125,179	11,138		136,317				136,317
Printing and publications	5,537	1,463	3,721	10,721	14,284	29,506	102	54,613
Communications	26,456	12,187	4,279	42,922	7,466	2,626	7,229	60,243
Provision for uncollectible accounts	3,205			3,205		73,793		76,998
Postage and delivery	1,609	200	215	2,024	4,292	15,004	12	21,332
Other	13,978	1,709	1,759	17,446	39,163	8,924	2,913	68,446
Total expenses	<u>\$ 9,189,040</u>	<u>\$ 2,651,058</u>	<u>\$ 727,984</u>	<u>\$12,568,082</u>	<u>\$ 1,613,016</u>	<u>\$ 1,457,151</u>	<u>\$ 429,361</u>	16,067,610
Cost of direct donor benefit – special event								<u>153,054</u>
Total								<u>\$16,220,664</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2018

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES
	SENIOR SERVICES	REFUGEE SERVICES	INTERFAITH RELATIONS/ COMMUNITY PARTNERSHIPS	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	BUILDING RENTAL OPERATIONS	
Salaries	\$ 2,225,091	\$ 1,170,134	\$ 330,526	\$ 3,725,751	\$ 921,685	\$ 516,552	\$ 90,427	\$ 5,254,415
Employee benefits	613,843	309,034	64,119	986,996	178,754	121,746	21,624	1,309,120
Food supplies	3,902,586			3,902,586				3,902,586
Assistance to individuals	719,073	1,560,674		2,279,747				2,279,747
Professional fees and contract services	224,496	68,581	77,238	370,315	200,455	165,866	30,351	766,987
Occupancy	210,723	97,997	42,264	350,984	90,487	40,762	169,361	651,594
Depreciation	159,917	60,621	15,516	236,054	39,658	20,438	141,600	437,750
Direct mail and advertising	61,419	14,520	11,504	87,443	14,281	323,412		425,136
Service delivery and transportation	345,990	28,508		374,498				374,498
Supplies	111,283	6,279	34,726	152,288	9,051	9,518	3,516	174,373
Meetings and travel	26,343	6,290	46,465	79,098	27,286	58,410	281	165,075
Insurance	84,879	17,375	2,446	104,700	16,070	3,204	16,931	140,905
Interest expense	30,001	14,225	4,150	48,376	46,231	5,496	28,969	129,072
Vehicle maintenance and repair	96,615	11,498		108,113				108,113
Printing and publications	7,463	2,300	755	10,518	30,896	29,330	293	71,037
Communications	23,267	12,029	3,613	38,909	7,429	3,174	8,062	57,574
Provision for uncollectible accounts	8,439			8,439		37,825		46,264
Postage and delivery	855	225	623	1,703	7,618	12,497		21,818
Other	10,780	2,189	2,260	15,229	40,778	9,538	3,239	68,784
Total expenses	<u>\$ 8,863,063</u>	<u>\$ 3,382,479</u>	<u>\$ 636,205</u>	<u>\$12,881,747</u>	<u>\$ 1,630,679</u>	<u>\$ 1,357,768</u>	<u>\$ 514,654</u>	16,384,848
Cost of direct donor benefit – special event								<u>107,776</u>
Total								<u>\$16,492,624</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Notes to Consolidated Financial Statements for the years ended June 30, 2019 and 2018

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, advocacy, and education in the following areas:

- *Senior services* includes 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 provides expanded assessments of client needs and refers clients to supplemental service providers. Healthcare Integration engages hospitals, managed care organizations, and other community partners to research and pilot new client service delivery initiatives.
- *Refugee services* assists both newly arrived refugees and established refugees in the Houston community. Interfaith Ministries provides resettlement services, English as a Second Language referrals, job placement services, counseling services, case management, career laddering and cash and rental assistance services.
- *Interfaith relations/community partnerships* fosters understanding, respect and engagement among people of all faith traditions through educational opportunities and community service. The program also includes Volunteer Houston, a Points of Light affiliate program, which connects community volunteers with local nonprofits in need of volunteer assistance.
- *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.

Allowance for uncollectible accounts – Interfaith provides an allowance for accounts and government awards receivable and contributions receivable when it believes balances may not be collected in full. It is Interfaith’s policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and customer-by-customer analysis of balances. It is possible that management’s estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts and government awards receivable and contributions receivable.

Contributions 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.

Food supplies consist primarily of breakfast foods, frozen meals, and pet foods. Donated food supplies are valued at 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.

Restricted cash represents amounts required to be maintained in a separate bank account by IM Support according to the New Market Tax Credits Financing Commitment for the project’s approved expenses.

Note receivable is reported at its outstanding principal balance. The note receivable is considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. In making that determination, management evaluated the financial condition of the borrower, the estimated value of the underlying collateral, and current economic conditions. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding.

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.

Debt issuance costs represent costs related to the issuance of the NMTC and are amortized over the term of the bonds. Accumulated amortization is \$168,065 and \$139,660 at June 30, 2019 and 2018, respectively. Unamortized debt issuance costs are reported as a direct reduction of the related debt.

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.

Government awards – Financial awards are recognized as revenue when the related services are provided. Awards of food commodities are recognized as revenue at fair market value when received and program expense when distributed. Undistributed food commodities are included in food supplies.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional promises to give are recognized in the same manner when the conditions are substantially 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.

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 is recognized when the event occurs. Costs of direct donor benefit represents the costs of goods and services provide to attendees of special events.

Program fees are recognized as revenue when the related services are provided. Amounts received in advance are reported as deferred revenue.

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 as program services, fundraising, or management and general. 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 program or supporting activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation is allocated based on which 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 expenses are allocated based on the number of employees with active licenses.

Recent financial accounting pronouncements – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional.

This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Interfaith is required to apply the amendments in its June 30, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management anticipates that adoption will impact the classification of government awards revenue and additional disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied, and revenue is recognized. Interfaith is required to adopt this ASU for fiscal year 2020 using an appropriate retrospective method. Management expects the impact to be primarily related to additional disclosures.

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 on a modified retrospective approach. Management has not determined the impact on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

Interfaith adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in renaming of previously reported net asset classifications to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – 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, 2019 comprise the following:

Financial assets at June 30, 2019:	
Cash and cash equivalents	\$ 4,244,116
Accounts and government awards receivable	931,320
Contributions receivable	1,857,109
Note receivable	<u>8,368,740</u>
Total financial assets	15,401,285
Less financial assets not available for general expenditure:	
Restricted by donor for use in future periods or for future projects	(1,918,678)
Note receivable for NMTC	(8,368,740)
NMTC cash reserve for future periods	<u>(85,866)</u>
Total financial assets available for general expenditures	<u>\$ 5,028,001</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 management, Interfaith invests cash in excess of daily requirements in short-term investments (sweep account). 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 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2019</u>	<u>2018</u>
Money market mutual funds	\$ 3,496,996	
Demand deposits	<u>747,120</u>	<u>\$ 5,352,576</u>
Total cash and cash equivalents	<u>\$ 4,244,116</u>	<u>\$ 5,352,576</u>

Bank deposits exceed the federally insured limit per depositor per institution. Money market mutual funds are valued at the published net asset value of shares held at year end and are classified in the Level 1 fair value hierarchy. Level 1 assets or liabilities are unadjusted quoted prices on active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 2,069,453	\$ 2,807,293
Discount to net present value at rates ranging from 1.01% to 2.73%	(2,351)	(22,876)
Allowance for uncollectible contributions	<u>(209,993)</u>	<u>(152,700)</u>
Contributions receivable, net	1,857,109	2,631,717
Less: Contributions receivable for capital projects, net	<u>(658,868)</u>	<u>(1,470,961)</u>
Operating contributions receivable, net	<u>\$ 1,198,241</u>	<u>\$ 1,160,756</u>

Contributions receivable at June 30, 2019 are expected to be collected as follows:

Receivable in less than one year	\$ 1,979,453
Receivable in one to five years	<u>90,000</u>
Total contributions receivable	<u>\$ 2,069,453</u>

As of June 30, 2019, approximately 42% of contributions receivable were due from two contributors. As of June 30, 2018, approximately 67% of contributions receivable were due from five contributors.

NOTE 6 – NOTE RECEIVABLE

Interfaith Ministries entered into an agreement in August 2013 to lend \$8,368,740 to Chase NMTC IM Houston Investment Fund, LLC (Chase NMTC Fund). The note is secured by Chase NMTC Fund's membership interest in Consortium America XXVIII, LLC (CA CDE) and PeopleFund NMTC 2, LLC (PF CDE), (collectively the CDEs) and other cash accounts and property held by a secured party. The interest rate on the note is fixed at 1%. Interest is due annually beginning September 2013 until September 2020. Thereafter, principal and interest payments of \$510,343 are due annually with all unpaid principal and interest due on September 1, 2038, the maturity date. Interest earned was \$83,687 in 2019 and 2018, of which \$69,740 is receivable at June 30, 2019 and 2018.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 4,416,868	\$ 3,828,818
Building	8,677,714	7,846,058
Furniture and equipment	708,912	588,219
Vehicles	947,468	931,262
Construction in progress	<u>2,039,842</u>	<u>185,368</u>
Total property and equipment, at cost	16,790,804	13,379,725
Accumulated depreciation	<u>(2,493,758)</u>	<u>(2,125,823)</u>
Property and equipment, net	<u>\$14,297,046</u>	<u>\$11,253,902</u>

NOTE 8 – NOTES PAYABLE

Interfaith had a loan agreement with a financial institution to borrow up to \$8.6 million at prime rate to finance the purchase of land and construction of a building. In June 2018, Interfaith closed this loan and entered into a new loan agreement with a financial institution to borrow up to \$1.36 million to refinance the construction and fund short-term cash needs for capital improvements. The loan bears interest at prime rate (5.50% at June 30, 2019) and is collateralized by a bank account. Interest is due monthly with principal and accrued interest due at maturity date of June 15, 2023. Interest expense of \$33,058 and \$35,004 was recognized for the years ended June 30, 2019 and 2018, respectively. The principal balance of this loan at June 30, 2019 and 2018 is \$590,000.

In December 2018, Interfaith assumed a \$700,000 note payable with a buyer for the purchase of property. The note bears interest at 6%, and is collateralized by a deed of trust on the property. Interest is due monthly with principal and accrued interest due at the maturity date of September 2038. Interest expense of \$45,101 was recognized for the year ended June 30, 2019. The principal balance of this loan at June 30, 2019 is \$700,000.

Interfaith has a \$1 million revolving line of credit with a financial institution, which bears interest at prime rate. At June 30, 2019, there was no amount outstanding under the line of credit. The line of credit matures in December 2020 and is secured by accounts at the financial institution.

Debt Maturities

Principal payments at June 30, 2019 are due as follows:

2020	\$	0
2021		0
2022		0
2023		590,000
2024		0
Thereafter		<u>700,000</u>
Total		<u>\$ 1,290,000</u>

NOTE 9 – NEW MARKET TAX CREDITS NOTES PAYABLE

IM Support executed a loan agreement in 2013 that provided for borrowings of \$7,350,000 and \$3,822,000 from CA CDE and PF CDE, respectively. The loans financed the construction of the W.T. and Louise J. Moran Building and the renovations of the Albert and Ethel Herzstein Building and are intended to be treated as a “qualified low-income community investment” for purposes of generating New Market Tax Credits under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement, assignment of rents and financing statements, certain bank accounts, and fixture filing on this property and a guaranty by Interfaith.

Pursuant to the issuance of the New Market Tax Credits Financing Commitment, IM Support is required to maintain certain funds at JPMorgan Chase Bank, N.A. (JPMorgan) until such time as they are disbursed for the project’s approved expenses. Amounts totaling \$85,866 and \$122,868 are held at JPMorgan for this purpose at June 30, 2019 and 2018, respectively.

Notes payable consist of the following:

	<u>2019</u>	<u>2018</u>
Total New Market Tax Credits notes payable	\$11,172,000	\$11,172,000
Less: Unamortized debt issuance costs	<u>(684,095)</u>	<u>(712,500)</u>
New Market Tax Credits notes payable, net	<u>\$10,487,905</u>	<u>\$10,459,500</u>

The balances outstanding on the notes payable at June 30, 2019 and repayment terms are as follows:

Note payable to Consortium America XXVIII, LLC.	\$ 5,505,750
Note payable to PeopleFund NMTC 2, LLC.	2,862,990
Note payable to Consortium America XXVIII, LLC.	1,844,250
Note payable to PeopleFund NMTC 2, LLC.	<u>959,010</u>
Total New Market Tax Credits notes payable	<u>\$11,172,000</u>

Interest expense was \$94,068 in 2019 and 2018, of which \$78,390 was payable at June 30, 2019 and 2018.

Each loan accrues interest at 0.842%. Interest is due annually beginning in September 2013 through September 2020; thereafter, principal and interest installment payments of \$536,328 are due annually beginning in September 2021 with the unpaid balance due in its entirety at the maturity date of September 1, 2043. IM Support is not permitted to prepay any portion of the loans until the seventh anniversary of the loan.

Within 90 days after the seventh anniversary of the note receivable, JPMorgan can exercise its put option to sell its interest in the Chase NMTC Fund to Interfaith Ministries for \$1,000. If JPMorgan does not exercise the put option, Interfaith Ministries can exercise its call option within 90 days after the put option period ends to purchase the interest in the Chase NMTC Fund at fair market value. After exercising its option to purchase the interest in the Chase NMTC Fund, Interfaith Ministries may cancel the New Market Tax Credits notes payable.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Senior services	\$ 5,503,909	\$ 6,171,510
Capital acquisitions	1,432,266	1,683,393
Refugee services	770,625	545,715
Interfaith relations/community partnerships	<u>61,194</u>	<u>45,047</u>
Total net assets with donor restrictions	<u>\$ 7,767,994</u>	<u>\$ 8,445,665</u>

NOTE 11 – 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 during the years ended June 30, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Federal government awards:		
U. S. Department of Health and Human Services	\$ 5,164,402	\$ 5,196,815
U. S. Department of Agriculture	521,160	826,723
U. S. Department of Homeland Security	160,104	573,858
U. S. Department of State	406,997	549,819
U. S. Department of Housing and Urban Development	<u>287,632</u>	<u>38,402</u>
Total federal government awards	<u>6,540,295</u>	<u>7,185,617</u>
State government awards:		
Texas Department of Agriculture	1,295,095	1,056,706
Texas Veterans Commission	<u>21,476</u>	<u>84,866</u>
Total state government awards	<u>1,316,571</u>	<u>1,141,572</u>
Harris County awards	260,595	60,730
Galveston County awards	203,877	50,452
Liberty County Awards	<u>250</u>	<u> </u>
Total government awards	<u>\$ 8,321,588</u>	<u>\$ 8,438,371</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.

During 2019, Interfaith Ministries received 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 2019, Interfaith Ministries recognized \$521,160 of food commodity awards from USDA based on the receipt of 317,687 pounds of food at \$1.68 per pound, net of processing fees. In 2018, Interfaith Ministries recognized \$826,723 of food commodity awards from USDA based on the receipt of 479,442 pounds of food at \$1.73 per pound, net of processing fees. As of June 30, 2019 and 2018, \$172,937 and \$118,340 were included in food supplies, respectively.

NOTE 12 – NON-CASH CONTRIBUTIONS

Interfaith recognized the following non-cash contributions as a component of other contributions:

	<u>2019</u>	<u>2018</u>
Donated goods:		
Senior services	\$ 804,736	\$ 905,117
Refugee services	160,791	233,620
Interfaith relations/community partnerships	4,800	5,598
Management and general	4,235	173
Fundraising	15,691	
Donated services:		
Capital assets	258,068	121,200
Refugee services	39,762	64,140
Senior services	14,421	45,211
Interfaith relations/community partnerships	5,374	
Management and general	16,183	5,000
Fundraising	<u>19,465</u>	<u>495</u>
Total non-cash contributions	<u>\$ 1,343,526</u>	<u>\$ 1,380,554</u>

NOTE 13 – RENTAL INCOME

Interfaith Ministries leases office space to tenants under noncancelable operating leases. Future rental income on noncancelable operating leases related to this rental property is \$84,720 in fiscal year 2020 and none thereafter. Rental income of \$94,799 and \$104,469 was recognized in the financial statements related to the lease agreements for the years ended June 30, 2019 and 2018, respectively.

NOTE 14 – EMPLOYEE BENEFIT PLAN

Interfaith Ministries offers a Safe Harbor §403(b) Thrift Plan (the Plan) that covers 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, but not to 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 \$136,000 and \$121,000 to the Plan during the years ended June 30, 2019 and 2018, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2019, 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, 2019

<u>FEDERAL GRANTOR</u>					Allowable	
<u>Pass-through Grantor</u>	CFDA			Award	Federal	Subrecipient
<u>Program Title & Period</u>	<u>Number</u>	<u>Contract Number</u>		<u>Amount</u>	<u>Expenditures</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	04/18-03/19	10.569	30375	\$460,524	\$ 301,799	
#2	04/19-03/20	10.569	30375	\$221,666	<u>153,645</u>	
Total U. S. Department of Agriculture					<u>455,444</u>	
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through Harris County:						
Community Development Block Grants/Entitlement Grants –						
CDBG – Entitlement Grants Cluster						
#3	03/18-02/19	14.218	2018-0016	\$47,000	25,904	
#4	03/19-02/20	14.218	2019-0015	\$47,000	13,792	
Passed through City of Houston:						
Community Development Block Grants/Entitlement Grants –						
CDBG – Entitlement Grants Cluster						
#5	03/19-06/19	14.218	4600013880	\$247,936	<u>247,936</u>	
Total U. S. Department of Housing and Urban Development					<u>287,632</u>	
U. S. DEPARTMENT OF STATE						
Passed through Episcopal Migration Ministries:						
U. S. Refugee Admissions Program						
#6	10/17-12/18	19.510	S-PRMCO-16-CA-1009	\$388,875	226,230	
#7	01/19-09/19	19.510	S-PRMCO-19-CA-0028	\$585,075	<u>180,767</u>	
Total U. S. Department of State					<u>406,997</u>	

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2019

(continued)

<u>FEDERAL GRANTOR</u>					<u>Allowable</u>	
<u>Pass-through Grantor</u>		<u>CFDA</u>		<u>Award</u>	<u>Federal</u>	<u>Subrecipient</u>
<u>Program Title & Period</u>		<u>Number</u>	<u>Contract Number</u>	<u>Amount</u>	<u>Expenditures</u>	<u>Awards</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through City of Houston:						
Special Programs for the Aging Title III, Part C, Nutrition Services – Aging Cluster						
#8	10/17-09/18	93.045	4600013880	\$2,559,635	490,669	
#9	10/18-09/19	93.045	4600013880	\$2,311,700	1,974,822	
Passed through Houston-Galveston Area Council:						
Special Programs for the Aging Title III, Part C, Nutrition Services – Aging Cluster						
#10	10/17-09/18	93.045	AAA18-2401	\$196,571	38,496	
#11	10/18-09/19	93.045	0002401	\$187,798	140,610	
Total 93.045					<u>2,644,597</u>	
Passed through Young Men’s Christian Association of the Greater Houston Area:						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
#12	10/17-09/18	93.566	18ADTXRSOC	\$1,086,531	280,102	
#13	10/17-09/18	93.566	1805TXRCMA	\$535,466	119,450	
#14	10/18-09/19	93.566	TXRSS419004	\$896,821	656,957	
#15	10/18-09/19	93.566	TXCMA419003	\$514,877	449,298	
Total 93.566					<u>1,505,807</u>	
Passed through Episcopal Migration Ministries:						
Refugee and Entrant Assistance Voluntary Agency Programs						
#16	10/17-05/19	93.567	1802NYRVMG	\$290,250	195,983	
#17	01/19-03/20	93.567	90RV0065	\$263,350	85,303	
Total 93.567					<u>281,286</u>	
Passed through Episcopal Migration Ministries:						
Refugee and Entrant Assistance Discretionary Grants						
#18	10/17-09/18	93.576	90RP0115	\$89,050	30,203	
#19	10/18-09/19	93.576	90RP0115	\$124,900	96,238	
Total 93.576					<u>126,441</u>	
Passed through Texas Department of Aging and Disability Services:						
Social Services Block Grant						
#20	10/17-09/18	93.667	001016489-06-13	\$611,325	167,097	\$ 2,568
#21	10/18-09/19	93.667	001016489-06-14	\$615,030	439,174	10,626
Total 93.667					<u>606,271</u>	<u>13,194</u>
Total U. S. Department of Health and Human Services					<u>5,164,402</u>	<u>13,194</u>

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2019 *(continued)*

<u>FEDERAL GRANTOR</u>					Allowable		
<u>Pass-through Grantor</u>	CFDA			Award	Federal	Subrecipient	
<u>Program Title & Period</u>	<u>Number</u>	<u>Contract Number</u>		<u>Amount</u>	<u>Expenditures</u>	<u>Awards</u>	
U. S. DEPARTMENT OF HOMELAND SECURITY							
Passed through Church World Services:							
Cuban/Haitian Entrant Program							
#22	01/18-12/18	97.009	2014-CI-009-000002-03	\$23,450	<u>6,104</u>		
Total 97.009						<u>6,104</u>	
Passed through Coalition for the Homeless:							
Emergency Food and Shelter National Board Program							
#23	02/18-03/20	97.024	35-7828-00-012	\$130,000	<u>130,000</u>		
Passed through Harris County Office of Homeland Security and Emergency Management:							
Homeland Security Grant Program							
#24	04/18-01/19	97.067	2972403	\$24,000	1,392		
#25	02/19-01/20	97.067	2972403	\$24,000	<u>1,141</u>		
Total 97.067						<u>2,533</u>	
Total U. S. Department of Homeland Security						<u>138,637</u>	
TOTAL FEDERAL AWARDS						<u>\$ 6,453,112</u>	<u>\$ 13,194</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, 2019

<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	02/18-01/19	HDM-18-3215	\$1,428,765	\$ 714,382
#S2	02/19-01/20	HDM-19-4099-4101	\$1,533,020	560,341
Passed through Galveston County Parks Department:				
Home-Delivered Meal Grant Program				
#S3	02/18-01/19	HDM-18-3016	\$20,372	<u>20,372</u>
Total Texas Department of Agriculture				<u>1,295,095</u>
TEXAS VETERANS COMMISSION				
General Assistance Grant				
#S4	07/17-08/18	FVA-17-0424	\$100,000	15,134
Passed through Honor Veterans Now:				
General Assistance Grant				
#S5	07/18-06/19	FVA-18-0525	\$6,342	<u>6,342</u>
Total Texas Veterans Commission				<u>21,476</u>
TOTAL STATE AWARDS				<u>\$ 1,316,571</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, 2019

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 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' approved 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 (\$1.68 in 2019). At June 30, 2019, \$172,937 was included in food supplies and had not been expended.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Interfaith Ministries for Greater Houston (Interfaith Ministries), which comprise the consolidated statement of financial position as of June 30, 2019 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 22, 2019.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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 Interfaith Ministries' 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 22, 2019

Independent Auditors' Report on Compliance for Each Major 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

We have audited Interfaith Ministries for Greater Houston's (Interfaith Ministries) compliance with the types of compliance requirements described 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, 2019. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Interfaith Ministries' major federal and major state programs based on our audit of the types of compliance requirements referred to above. 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and in the State of Texas *Single Audit Circular*. Those standards and the Uniform Guidance and the State of Texas *Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about Interfaith Ministries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of Interfaith Ministries' compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, Interfaith Ministries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2019.

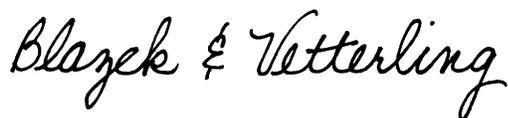
Report on Internal Control Over Compliance

Management of Interfaith Ministries is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Interfaith Ministries' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Interfaith Ministries' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



October 22, 2019

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*.