

Interfaith Ministries for Greater Houston

Consolidated Financial Statements
and Single Audit Reports
for the year ended June 30, 2021

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, 2021 and 2020 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, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2021 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, 2021 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 26, 2021 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 26, 2021

Interfaith Ministries for Greater Houston

Consolidated Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 4,491,515	\$ 5,930,118
Certificates of deposit	5,000,000	
Accounts receivable	62,317	82,475
Operating contributions and government grants receivable, net (<i>Note 3</i>):		
Government grants	1,259,237	1,078,732
United Way allocation	324,396	395,044
Other	456,986	567,565
Interest income receivable		69,739
Prepaid and other assets	155,683	134,898
Food supplies	126,439	152,720
Contributions receivable for capital projects, net (<i>Note 3</i>)	25,481	391,964
Cash restricted by notes payable (<i>Note 6</i>)		48,547
Note receivable (<i>Note 6</i>)		8,368,740
Property and equipment, net (<i>Note 4</i>)	<u>14,223,581</u>	<u>13,917,899</u>
TOTAL ASSETS	<u>\$26,125,635</u>	<u>\$31,138,441</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 663,827	\$ 523,412
Accrued salaries and benefits	397,334	421,990
Construction payable	124,333	
Other accrued liabilities	43,577	116,950
Refundable advances – government grants and other contributions	220,665	223,351
Paycheck Protection Program refundable advance		979,900
New Market Tax Credits notes payable, net (<i>Note 6</i>)		<u>10,516,310</u>
Total liabilities	<u>1,449,736</u>	<u>12,781,913</u>
Net assets:		
Without donor restrictions	13,231,522	10,548,761
With donor restrictions (<i>Note 7</i>)	<u>11,444,377</u>	<u>7,807,767</u>
Total net assets	<u>24,675,899</u>	<u>18,356,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$26,125,635</u>	<u>\$31,138,441</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 (Note 8)		\$ 9,976,052	\$ 9,976,052
United Way allocation		678,840	678,840
Other (Note 9)	\$ 2,488,239	5,517,102	8,005,341
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 (Note 10)	81,345		81,345
Interest income on note receivable (Note 6)	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:			
Senior services	8,518,155		8,518,155
Refugee services	2,302,816		2,302,816
Interfaith relations	533,695		533,695
Volunteer Houston	<u>440,297</u>		<u>440,297</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 (Note 6)	<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 Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions:			
Government awards (<i>Note 8</i>)		\$ 8,831,240	\$ 8,831,240
United Way allocation		788,087	788,087
Other (<i>Note 9</i>)	\$ 2,430,317	4,128,629	6,558,946
Special event	707,248		707,248
Cost of direct donor benefit – special event	(73,125)		(73,125)
Program service fees	1,127,063		1,127,063
Rental income (<i>Note 10</i>)	102,758		102,758
Interest income on note receivable (<i>Note 6</i>)	83,687		83,687
Interest income	53,351		53,351
Other income	123,894		123,894
Total revenue	<u>4,555,193</u>	<u>13,747,956</u>	<u>18,303,149</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	12,241,903	(12,241,903)	
Satisfaction of capital restrictions	<u>1,466,280</u>	<u>(1,466,280)</u>	
Total	<u>18,263,376</u>	<u>39,773</u>	<u>18,303,149</u>
EXPENSES:			
Program services:			
Senior services	9,046,066		9,046,066
Refugee services	2,933,652		2,933,652
Interfaith relations	450,619		450,619
Volunteer Houston	<u>534,793</u>		<u>534,793</u>
Total program services	<u>12,965,130</u>		<u>12,965,130</u>
Supporting services:			
Management and general	1,708,414		1,708,414
Fundraising	1,326,014		1,326,014
Building rental operations	<u>537,256</u>		<u>537,256</u>
Total supporting services	<u>3,571,684</u>		<u>3,571,684</u>
Total expenses	<u>16,536,814</u>		<u>16,536,814</u>
CHANGES IN NET ASSETS	1,726,562	39,773	1,766,335
Net assets, beginning of year	<u>8,822,199</u>	<u>7,767,994</u>	<u>16,590,193</u>
Net assets, end of year	<u>\$10,548,761</u>	<u>\$ 7,807,767</u>	<u>\$18,356,528</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 6,319,371	\$ 1,766,335
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for capital projects	(568,800)	(434,200)
Depreciation	623,838	595,869
In-kind donation of capital assets	(211,300)	
Amortization of debt issuance costs	2,367	28,405
Provision for uncollectible accounts	6,416	7,709
Loss (gain) on sale of property	7,935	(1,771)
Gain on New Market Tax Credits transaction	(2,149,938)	
Changes in operating assets and liabilities:		
Accounts and interest income receivable	89,897	(55,078)
Operating contributions and government grants receivable	(5,694)	(16,625)
Prepaid and other assets	(20,785)	26,210
Food supplies	26,281	77,260
Accounts payable	140,415	5,963
Accrued salaries and benefits	(24,656)	90,478
Other accrued liabilities	(73,373)	(3,830)
Refundable advances	(2,686)	(342,665)
Paycheck Protection Program refundable advance	<u>(979,900)</u>	<u>979,900</u>
Net cash provided by operating activities	<u>3,179,388</u>	<u>2,723,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(601,821)	(428,303)
Purchase of certificates of deposit	(5,000,000)	
Proceeds from involuntary conversion of property	<u> </u>	<u>27,788</u>
Net cash used by investing activities	<u>(5,601,821)</u>	<u>(400,515)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable		(1,290,000)
Proceeds from contributions restricted for capital projects	<u>935,283</u>	<u>701,104</u>
Net cash provided (used) by financing activities	<u>935,283</u>	<u>(588,896)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,487,150)	1,734,549
Cash and cash equivalents, beginning of year	<u>5,978,665</u>	<u>4,244,116</u>
Cash and cash equivalents, end of year	<u>\$ 4,491,515</u>	<u>\$ 5,978,665</u>
<i>Reconciliation of cash and cash equivalents:</i>		
Cash	\$ 4,491,515	\$ 5,930,118
Cash restricted by notes payable	<u> </u>	<u>48,547</u>
Total cash and cash equivalents	<u>\$ 4,491,515</u>	<u>\$ 5,978,665</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$92,332	\$161,262

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

Consolidated Statement of Functional Expenses for the year ended June 30, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES
	SENIOR SERVICES	REFUGEE SERVICES	INTERFAITH RELATIONS	VOLUNTEER HOUSTON	MANAGEMENT AND GENERAL	FUNDRAISING	BUILDING RENTAL OPERATIONS	
Salaries	\$ 2,406,372	\$ 1,023,944	\$ 273,938	\$ 181,645	\$ 910,906	\$ 628,931	\$ 101,096	\$ 5,526,832
Employee benefits	656,105	262,951	60,117	47,403	165,724	137,305	28,284	1,357,889
Food supplies	4,416,883							4,416,883
Assistance to individuals	240,141	1,325,448						1,565,589
Professional fees and contract services	180,331	72,360	14,190	187,719	294,923	119,581	16,290	885,394
Depreciation	238,632	60,648	25,874	4,014	45,413	28,820	192,468	595,869
Occupancy	219,136	82,995	26,735	8,927	74,382	41,085	132,965	586,225
Direct mail and advertising	11,078	17,904	14,496	5,214	33,015	234,007		315,714
Insurance	108,610	18,621	3,501	543	21,973	3,899	18,581	175,728
Supplies	57,500	9,132	18,389	88,633	11,359	7,838	5,106	197,957
Service delivery and transportation	295,457	26,118						321,575
Vehicle maintenance and repair	120,838	4,095						124,933
Communications	27,707	10,501	2,948	1,630	8,590	3,937	9,483	64,796
Printing and publications	4,220	996	751	3,610	14,305	45,093		68,975
Meetings and travel	15,090	4,765	2,977	2,417	20,261	37,446	161	83,117
Postage and delivery	2,256	334	72	1,111	4,360	18,041		26,174
Interest expense	29,767	11,479	5,563	863	66,461	6,196	29,528	149,857
Provision for uncollectible accounts						7,709		7,709
Other	15,943	1,361	1,068	1,064	36,742	6,126	3,294	65,598
Total expenses	<u>\$ 9,046,066</u>	<u>\$ 2,933,652</u>	<u>\$ 450,619</u>	<u>\$ 534,793</u>	<u>\$ 1,708,414</u>	<u>\$ 1,326,014</u>	<u>\$ 537,256</u>	16,536,814
Cost of direct donor benefit – special event								<u>73,125</u>
Total								<u>\$16,609,939</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Notes to Consolidated Financial Statements for the years ended June 30, 2021 and 2020

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:

- *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.
- *Refugee services* assists both newly arrived refugees and established refugees in the Greater Houston community. Refugee services provides resettlement services, English as a Second Language referrals, job placement services, counseling and cultural orientation 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. Interfaith relations/community partnerships provides opportunities for connection, engagement, education and training.
- *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.
- *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 a 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 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. 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 debt. In fiscal year 2021, the remaining unamortized costs were written off against the gain on the new market tax credit transaction. Accumulated amortization was \$196,470 at June 30, 2020. 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.

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 are 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 are recognized when the event occurs. Amounts received prior to the event occurring are reported as refundable advances. Cost of direct donor benefits represents the costs of goods and services provided to attendees of the special events.

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, 2021 and 2020, 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 in advance of the events are recorded as refundable advances. Accounts receivable relate to Interfaith's right to consideration for services provided. Accounts receivable were \$62,317, \$82,475, and \$27,397 at June 30, 2021, 2020, and 2019, 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 (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The accounting applied by a lessor is largely unchanged by the new guidance. However, qualitative and quantitative disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. Interfaith Ministries plans to adopt this ASU for its fiscal year 2023. Management does not expect adoption to have a significant impact on 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 has not determined the impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profit entities, including additional disclosure requirements for recognized contributed services. This ASU is effective for fiscal years beginning after June 15, 2021 and should be applied on a retrospective basis. Upon adoption, management expects to expand the disclosures related to contributed nonfinancial assets.

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>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 4,491,515	\$ 5,978,665
Certificates of deposit	5,000,000	
Accounts receivable	62,317	82,475
Contributions and government grants receivable, net	2,066,100	2,433,305
Interest income receivable		69,739
Note receivable		<u>8,368,740</u>
Total financial assets	11,619,932	16,932,924
Less financial assets not available for general expenditure:		
Restricted by donor for use in future periods or for future projects	(1,389,430)	(968,887)
Note receivable for NMTC		(8,368,740)
NMTC cash reserve for future periods		<u>(48,547)</u>
Total financial assets available for general expenditure	<u>\$10,230,502</u>	<u>\$ 7,546,750</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. These certificates of deposits are FDIC insured and have maturities of six months or less.

NOTE 3 – CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable are as follows:

	<u>2021</u>	<u>2020</u>
Receivable from government agencies	\$ 1,259,237	\$ 1,083,561
Contributions receivable	<u>866,746</u>	<u>1,423,552</u>
Contributions and government grants receivable	2,125,983	2,507,113
Discount to net present value at rates ranging from 0.87% to 2.73%	(2,678)	(36)
Allowance for uncollectible contributions and government grants	<u>(57,205)</u>	<u>(73,772)</u>
Contributions and government grants receivable, net	<u>\$ 2,066,100</u>	<u>\$ 2,433,305</u>

Contributions and government grants receivable at June 30, 2021 are expected to be collected as follows:

Receivable in less than one year	\$ 1,962,649
Receivable in one to five years	<u>163,334</u>
Total contributions and government grants receivable	<u>\$ 2,125,983</u>

As of June 30, 2021, approximately 76% of contributions receivable, other than receivables from government agencies, were due from three contributors. As of June 30, 2020, approximately 44% of contributions receivable, other than receivables from government agencies, were due from two contributors.

At June 30, 2021, Interfaith has approximately \$3.2 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>2021</u>	<u>2020</u>
Land	\$ 4,427,368	\$ 4,416,868
Building	11,039,300	10,745,292
Furniture and equipment	855,157	737,349
Vehicles	1,243,026	1,090,391
Construction in progress	<u>339,833</u>	<u> </u>
Total property and equipment, at cost	17,904,684	16,989,900
Accumulated depreciation	<u>(3,681,103)</u>	<u>(3,072,001)</u>
Property and equipment, net	<u>\$14,223,581</u>	<u>\$13,917,899</u>

In June 2021, Interfaith entered into a contract with a contractor related to improvements at the Volunteer Resource Center. At June 30, 2021, Interfaith had an outstanding commitment of approximately \$1,588,000 related to this contract.

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, 2021, 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 – NOTE RECEIVABLE AND NEW MARKET TAX CREDITS NOTES PAYABLE

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 earned was \$6,974 and \$83,687 in 2021 and 2020, respectively, of which \$69,740 was receivable at June 30, 2020.

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 were 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.

In August 2020, Interfaith Ministries exercised its “put right” at which time Chase NMTC Fund assumed the new market tax credits loans of \$11,172,000 in exchange for the outstanding principal on the note receivable of \$8,368,740. A gain of \$2,149,938 on the exercise of new market tax credits “put right” was recognized.

New Market Tax Credits notes payable consisted of the following at June 30, 2020:

Total New Market Tax Credits notes payable	\$11,172,000
Less: Unamortized debt issuance costs	<u>(655,690)</u>
New Market Tax Credits notes payable, net	<u>\$10,516,310</u>

Interest expense was \$13,942 and \$94,068 in 2021 and 2020, respectively, of which \$78,390 was payable at June 30, 2020.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Senior services	\$ 9,366,068	\$ 6,294,921
Refugee services	1,070,680	1,051,300
Capital acquisitions	940,125	400,186
Interfaith relations	<u>67,504</u>	<u>61,360</u>
Total net assets with donor restrictions	<u>\$11,444,377</u>	<u>\$ 7,807,767</u>

NOTE 8 – 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>2021</u>	<u>2020</u>
Federal government awards:		
U. S. Department of Health and Human Services	\$ 5,957,045	\$ 5,300,894
U. S. Department of Agriculture	15,773	393,201
U. S. Department of State	273,459	386,548
U. S. Department of Housing and Urban Development	339,120	348,050
Department of the Treasury	130,000	
U. S. Department of Homeland Security	<u>195,793</u>	<u>133,999</u>
Total federal government awards	<u>6,911,190</u>	<u>6,562,692</u>
State government awards:		
Texas Department of Agriculture	1,613,100	1,640,979
Texas Veterans Commission	<u>162,184</u>	<u>190,812</u>
Total state government awards	<u>1,775,284</u>	<u>1,831,791</u>
Small Business Administration – Paycheck Protection Program	979,900	
Families First Coronavirus Response Act:		
Employee Paid Leave	28,677	
Galveston County awards	148,371	337,562
Harris County awards	122,792	98,695
Liberty County awards		500
Other	<u>9,838</u>	<u> </u>
Total government awards	<u>\$ 9,976,052</u>	<u>\$ 8,831,240</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 2021, 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 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. In 2020, Interfaith Ministries recognized \$393,201 of food commodity awards from USDA based on the receipt of 242,717 pounds of food at \$1.62 per pound, net of processing fees. As of June 30, 2021 and 2020, there was no USDA inventory.

NOTE 9 – NON-CASH CONTRIBUTIONS

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

	<u>2021</u>	<u>2020</u>
Donated goods:		
Senior services	\$ 413,887	\$ 346,208
Refugee services	65,296	138,853
Management and general	24,286	14,371
Volunteer Houston	10,653	3,155
Fundraising	6,820	23,904
Interfaith relations/community partnerships	675	100
Capital campaign		5,444
Donated services:		
Capital assets	211,300	21,170
Management and general	71,385	118,960
Fundraising	39,262	51,680
Senior services	27,886	34,800
Refugee services	25,482	52,825
Interfaith relations/community partnerships	12,781	4,589
Volunteer Houston	<u>8,659</u>	<u> </u>
Total non-cash contributions	<u>\$ 918,372</u>	<u>\$ 816,059</u>

NOTE 10 – RENTAL INCOME

Interfaith Ministries leases office space to tenants under noncancelable operating leases. Future rental income on noncancelable operating leases related to the rental property is \$82,500 in fiscal year 2022 and none thereafter. Rental income of \$81,345 and \$84,720 was recognized in the financial statements related to the lease agreements for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 – 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 \$152,000 and \$146,000 to the Plan during the years ended June 30, 2021 and 2020, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2021, 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, 2021

<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	04/20-03/21	10.569	30375	N/A	\$ <u>15,773</u>
Total U. S. Department of Agriculture					<u>15,773</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Harris County: Community Development Block Grants/Entitlement Grants – CDBG – Entitlement Grants Cluster					
#2	03/20-02/21	14.218	2020-0017	\$47,000	21,801
#3	03/21-02/22	14.218	2021-0016	\$47,000	10,067
COVID-19					
#4	03/20-10/20	14.218	2020-0017	\$126,000	59,312
Passed through City of Houston: Community Development Block Grants/Entitlement Grants – CDBG – Entitlement Grants Cluster					
#5	05/21-07/21	14.218	4600013880	\$247,940	<u>247,940</u>
Total U. S. Department of Housing and Urban Development					<u>339,120</u>
U. S. DEPARTMENT OF STATE					
Passed through Episcopal Migration Ministries: U. S. Refugee Admissions Program					
#6	01/19-09/20	19.510	S-PRMCO-19-CA-0028	\$683,450	106,298
#7	10/20-09/21	19.510	SPRMCO21CA3002	\$404,950	166,243
Capacity Development Funding					
#8	06/21-09/21	19.510	SPRMCO21CA3002	\$30,333	<u>918</u>
Total U. S. Department of State					<u>273,459</u>
DEPARTMENT OF THE TREASURY					
Passed through the City of Houston: Coronavirus Relief Fund – COVID-19					
#9	10/20-12/20	21.019	4600013880	\$130,000	<u>130,000</u>
Total Department of the Treasury					<u>130,000</u>

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2021

(continued)

<u>FEDERAL GRANTOR</u>	Assistance			Allowable	
<u>Pass-through Grantor</u>	Listing		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 HEALTH AND HUMAN SERVICES					
Passed through the City of Houston:					
Special Programs for the Aging, Title III, Part C, Nutrition Services – Aging Cluster					
#10	10/19-09/20	93.045	4600013880	\$2,845,793	667,281
#11	10/20-09/21	93.045	4600013880	\$2,497,850	1,882,177
COVID-19					
#12	10/19-09/20	93.045	4600013880	\$346,588	192,864
#13	10/20-09/21	93.045	4600013880	\$392,567	223,378
Passed through Houston-Galveston Area Council:					
Special Programs for the Aging, Title III, Part C, Nutrition Services – Aging Cluster					
#14	10/19-09/20	93.045	0002401	\$238,244	30,952
#15	10/20-09/21	93.045	0002401	\$194,960	169,441
COVID-19					
#16	10/19-09/20	93.045	0002401	\$186,742	111,011
#17	10/20-09/21	93.045	0002401	\$28,879	28,876
Total 93.045					<u>3,305,980</u>
Direct Funding:					
Special Programs for the Aging, Title IV and Title II, Discretionary Projects					
#18	09/19-08/20	93.048	90INNU0017-01-00	\$245,910	26,079
#19	09/20-08/21	93.048	90INNU0017-02-02	\$443,944	134,580
Total 93.048					<u>160,659</u>
					<u>\$ 31,172</u>
					<u>31,172</u>
Passed through Young Men’s Christian Association of the Greater Houston Area:					
Refugee and Entrant Assistance State/Replacement Designee Administered Programs					
#20	10/19-09/20	93.566	TXRSS420004	\$954,748	190,892
#21	10/19-09/20	93.566	TXCMA420003	\$631,145	153,113
#22	10/20-09/21	93.566	TXRSS420004	\$977,000	540,306
#23	10/20-09/21	93.566	TXCMA421003	\$429,155	332,221
Total 93.566					<u>1,216,532</u>
Passed through Episcopal Migration Ministries:					
Refugee and Entrant Assistance Voluntary Agency Programs					
#24	01/20-03/21	93.567	2002NYRVMG	\$155,194	71,625
#25	10/20-03/22	93.567	2002NYRVMG	\$137,170	120,953
Total 93.567					<u>192,578</u>

(continued)

Interfaith Ministries for Greater Houston

Schedule of Expenditures of Federal Awards for the year ended June 30, 2021

(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 (continued)					
Passed through Episcopal Migration Ministries:					
Refugee and Entrant Assistance Discretionary Grants					
#26	10/19-09/20	93.576	90RP0115	\$124,900	20,623
#27	10/20-09/21	93.576	90RP0115	\$124,900	96,897
COVID-19					
#28	10/19-09/20	93.576	90RP0115	\$62,451	62,451
#29	10/20-09/21	93.576	90RP0115	\$9,890	1,333
Total 93.576					<u>181,304</u>
Passed through Texas Department of Aging and Disability Services:					
Social Services Block Grant					
#30	10/19-09/20	93.667	1016489	\$655,785	207,653
#31	10/20-09/21	93.667	1016489	\$1,046,362	692,339
Total 93.667					<u>899,992</u>
Total U. S. Department of Health and Human Services					<u>5,957,045</u>
U. S. DEPARTMENT OF HOMELAND SECURITY					
Passed through Coalition for the Homeless:					
Emergency Food and Shelter National Board Program Phase 37					
#32	01/20-10/21	97.024	37-7828-00-012	\$93,625	93,625
Emergency Food and Shelter National Board Program Phase 38					
#33	01/20-10/21	97.024	38-7828-00-012	\$101,853	1,064
COVID-19					
#34	01/20-10/21	97.024	CARES-7828-00-012	\$77,104	77,104
Total 97.024					<u>171,793</u>
Passed through Harris County Office of Homeland Security and Emergency Management:					
Homeland Security Grant Program					
#35	02/20-03/21	97.067	2972403	\$24,000	12,000
#36	01/21-12/21	97.067	2972403	\$24,000	12,000
Total 97.067					<u>24,000</u>
Total U. S. Department of Homeland Security					<u>195,793</u>
TOTAL FEDERAL AWARDS					<u>\$ 6,911,190</u>
					<u>\$ 43,742</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, 2021

<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	02/20-01/21	HDM-20-5061-5062-5063	\$1,561,736	\$ 893,437
#S2	02/21-01/22	HDM-21-6109-6110-6111	\$1,440,181	<u>719,663</u>
Total Texas Department of Agriculture				<u>1,613,100</u>
TEXAS VETERANS COMMISSION				
General Assistance Grant				
#S3	07/20-06/21	GT-FVA20-001	\$250,000	159,237
Passed through Honor Veterans Now:				
General Assistance Grant				
#S4	07/20-06/21	GT-FVA20-004	\$2,947	<u>2,947</u>
Total Texas Veterans Commission				<u>162,184</u>
TOTAL STATE AWARDS				<u>\$ 1,775,284</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, 2021

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 (\$1.74 in 2021).

**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, 2021 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 26, 2021.

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 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 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 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 26, 2021

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, 2021. 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, 2021.

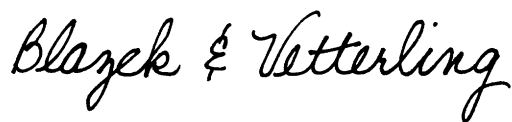
Report on Internal Control Over Compliance

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 26, 2021

Interfaith Ministries for Greater Houston

Schedule of Findings and Questioned Costs for the year ended June 30, 2021

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>
19.510	U. S. Refugee Admissions Program
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services – Aging Cluster
93.667	Social Services Block Grant

<u>Contract Number(s)</u>	<u>Name of State Program or Cluster</u>
HDM-20-5061-5062-5063 and HDM-21-6109-6110-6111	Home-Delivered Meal Grant Program
GT-FVA 20-001 and GT-FVA 20-004	General Assistance Grant

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*.