

INTERFAITH SHELTER NETWORK OF SAN DIEGO
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023



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

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Independent Auditor's Report

To the Board of Directors
Interfaith Shelter Network of San Diego

Opinion

We have audited the accompanying financial statements of Interfaith Shelter Network of San Diego (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Shelter Network of San Diego as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Leaf & Cole LLP

San Diego, California
November 18, 2025

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

ASSETS

	<u>2024</u>	<u>2023</u>
<u>Current Assets:</u> (Note 2)		
Cash and cash equivalents	\$ 285,914	\$ 416,048
Grants receivable	49,389	60,336
Total Current Assets	<u>335,303</u>	<u>476,384</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5 and 7)		
Property and equipment, net	1,486,894	1,443,954
Right-of-use assets - operating leases, net	53,662	85,583
Total Noncurrent Assets	<u>1,540,556</u>	<u>1,529,537</u>
TOTAL ASSETS	<u><u>\$ 1,875,859</u></u>	<u><u>\$ 2,005,921</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u> (Notes 2, 5 and 7)		
Accounts payable and accrued expenses	\$ 32,137	\$ 15,708
Tenant deposits	5,900	4,150
Current portion of operating lease liability	33,996	31,452
Accrued interest	87,603	84,561
Total Current Liabilities	<u>159,636</u>	<u>135,871</u>
<u>Noncurrent liabilities:</u> (Notes 5 and 7)		
Note payable	100,013	100,013
Operating lease liability, net of current portion	20,875	54,871
Total Noncurrent Liabilities	<u>120,888</u>	<u>154,884</u>
Total Liabilities	<u>280,524</u>	<u>290,755</u>
<u>Commitments and Contingency</u> (Notes 5, 7 and 8)		
<u>Net Assets:</u> (Notes 2 and 6)		
Without donor restrictions	1,588,842	1,701,711
With donor restrictions	6,493	13,455
Total Net Assets	<u>1,595,335</u>	<u>1,715,166</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,875,859</u></u>	<u><u>\$ 2,005,921</u></u>

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Government grants	\$ 277,163	\$ -	\$ 277,163	\$ 250,597	\$ -	\$ 250,597
Contributions	239,858	-	239,858	170,784	122,127	292,911
In-kind contributions	40,815	-	40,815	33,546	-	33,546
Rents and laundry	33,068	-	33,068	31,819	-	31,819
Special events (net of direct related expenses of \$10,360 and \$1,000, respectively)	24,815	-	24,815	4,050	-	4,050
Interest income	9,639	-	9,639	4,632	-	4,632
Net assets released from restrictions	6,962	(6,962)	-	129,784	(129,784)	-
Total Revenue and Support	<u>632,320</u>	<u>(6,962)</u>	<u>625,358</u>	<u>625,212</u>	<u>(7,657)</u>	<u>617,555</u>
Expenses:						
Program Services:						
El Nido	331,841	-	331,841	332,703	-	332,703
Rotational Shelter	308,193	-	308,193	324,081	-	324,081
Total Program Services	<u>640,034</u>	<u>-</u>	<u>640,034</u>	<u>656,784</u>	<u>-</u>	<u>656,784</u>
Supporting Services:						
General and administrative	105,155	-	105,155	52,284	-	52,284
Fundraising	-	-	-	4,941	-	4,941
Total Supporting Services	<u>105,155</u>	<u>-</u>	<u>105,155</u>	<u>57,225</u>	<u>-</u>	<u>57,225</u>
Total Expenses	<u>745,189</u>	<u>-</u>	<u>745,189</u>	<u>714,009</u>	<u>-</u>	<u>714,009</u>
Change in Net Assets	(112,869)	(6,962)	(119,831)	(88,797)	(7,657)	(96,454)
Net Assets at Beginning of Year	<u>1,701,711</u>	<u>13,455</u>	<u>1,715,166</u>	<u>1,790,508</u>	<u>21,112</u>	<u>1,811,620</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,588,842</u>	<u>\$ 6,493</u>	<u>\$ 1,595,335</u>	<u>\$ 1,701,711</u>	<u>\$ 13,455</u>	<u>\$ 1,715,166</u>

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services			Supporting Services			
	El Nido	Rotational Shelters	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 144,370	\$ 148,746	\$ 293,116	\$ 42,181	\$ -	\$ 42,181	\$ 335,297
Employee benefits	13,122	24,458	37,580	33,051	-	33,051	70,631
Payroll taxes	17,771	9,110	26,881	5,561	-	5,561	32,442
Total Personnel	<u>175,263</u>	<u>182,314</u>	<u>357,577</u>	<u>80,793</u>	<u>-</u>	<u>80,793</u>	<u>438,370</u>
Depreciation	28,620	-	28,620	-	-	-	28,620
Equipment rental	1,681	-	1,681	542	-	542	2,223
In-kind supplies and food	-	40,815	40,815	-	-	-	40,815
Insurance	11,948	9,616	21,564	3,079	-	3,079	24,643
Interest expense	3,042	-	3,042	-	-	-	3,042
Office	2,886	321	3,207	7,056	-	7,056	10,263
Other expenses	1,240	157	1,397	1,339	-	1,339	2,736
Professional fees	8,704	12,754	21,458	5,704	-	5,704	27,162
Program expenses	78,422	24,216	102,638	-	-	-	102,638
Rent	15,899	33,593	49,492	-	-	-	49,492
Staff training	602	-	602	2,032	-	2,032	2,634
Telephone and internet	3,135	2,958	6,093	3,028	-	3,028	9,121
Travel and transportation	399	1,449	1,848	1,582	-	1,582	3,430
Total Expenses	<u>\$ 331,841</u>	<u>\$ 308,193</u>	<u>\$ 640,034</u>	<u>\$ 105,155</u>	<u>\$ -</u>	<u>\$ 105,155</u>	<u>\$ 745,189</u>

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

**INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services			Supporting Services			
	El Nido	Rotational Shelters	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 144,350	\$ 153,718	\$ 298,068	\$ 9,710	\$ -	\$ 9,710	\$ 307,778
Employee benefits	13,839	35,812	49,651	14,032	-	14,032	63,683
Payroll taxes	10,991	13,834	24,825	2,857	-	2,857	27,682
Total Personnel	<u>169,180</u>	<u>203,364</u>	<u>372,544</u>	<u>26,599</u>	<u>-</u>	<u>26,599</u>	<u>399,143</u>
Depreciation	37,738	-	37,738	-	-	-	37,738
Equipment rental	11,885	-	11,885	754	-	754	12,639
In-kind supplies and food	-	33,546	33,546	-	-	-	33,546
Insurance	8,803	7,883	16,686	3,141	-	3,141	19,827
Interest expense	3,042	-	3,042	-	-	-	3,042
Office	1,470	1,564	3,034	3,328	-	3,328	6,362
Other expenses	2,683	1,773	4,456	3,051	4,941	7,992	12,448
Professional fees	6,256	13,401	19,657	9,730	-	9,730	29,387
Program expenses	74,449	24,586	99,035	-	-	-	99,035
Rent	13,251	30,124	43,375	3,723	-	3,723	47,098
Staff training	475	-	475	607	-	607	1,082
Telephone and internet	2,967	4,964	7,931	1,211	-	1,211	9,142
Travel and transportation	504	2,876	3,380	140	-	140	3,520
Total Expenses	<u>\$ 332,703</u>	<u>\$ 324,081</u>	<u>\$ 656,784</u>	<u>\$ 52,284</u>	<u>\$ 4,941</u>	<u>\$ 57,225</u>	<u>\$ 714,009</u>

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (119,831)	\$ (96,454)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	28,620	37,738
(Increase) Decrease in:		
Grants receivable	10,947	16,348
Right-of-use assets – operating leases, net	31,921	(85,583)
Increase (Decrease) in:		
Accounts payable and accrued expenses	16,429	(23,358)
Tenant deposits	1,750	1,100
Operating lease liability	(31,452)	86,323
Accrued interest	3,042	3,042
Net Cash Used in Operating Activities	<u>(58,574)</u>	<u>(60,844)</u>
<u>Cash Flows From Investing Activities:</u>		
Investment sales/maturities/(purchases), net	-	63,449
Purchase of property and equipment	(71,560)	(197,695)
Net Cash Used in Investing Activities	<u>(71,560)</u>	<u>(134,246)</u>
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(130,134)	(195,090)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	<u>416,048</u>	<u>611,138</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	<u>\$ 285,914</u>	<u>\$ 416,048</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	<u>\$ 34,630</u>	<u>\$ 13,885</u>
Right-of-use assets upon ASC 842 implementation:		
Operating leases	<u>\$ -</u>	<u>\$ 95,912</u>
Right-of-use assets after ASC 842 implementation:		
Operating leases	<u>\$ -</u>	<u>\$ 85,583</u>

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 1 - Organization:

The Interfaith Shelter Network of San Diego (the “Organization”) is a non-profit, public benefit corporation, incorporated on August 1, 2010 (formerly Ecumenical Council of San Diego County, incorporated April 24, 1970), under the laws of the state of California, to work collaboratively, through its Rotational Shelter Program, with local human service agencies, local governments and local congregations to provide winter shelters and other services and resources to homeless individuals and families at congregational shelter sites throughout the San Diego region.

In addition, the Organization’s El Nido Transitional Living Program provides housing, case management, education, counseling, transportation, childcare and other resources and services to homeless battered women with children at an eleven-unit apartment complex owned by the Organization. As an adjunct to these programs, in 2014 the Organization was contracted to provide a Housing Assistance service that allocated move-in and rental financial assistance for program participants. As of March 13, 2023, the Housing Assistance program has been suspended due to lack of funding.

Note 2 - Significant Accounting Policies:

Accounting Method

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

Financial Statement Presentation

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

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

Estimates

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

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments at December 31, 2024 and 2023.

Allowance for Credit Losses

The Organization recognizes an allowance for credit losses on grants receivable to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which is based on the expectation as of the statements of financial position date, aging reports and historical information. Grants receivable are written off when the Organization determines such receivables are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Management believes that all grants receivable were fully collectible; therefore, no allowance for credit losses on grants receivable were recorded at December 31, 2024 and 2023.

Capitalization and Depreciation

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

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

Building and building improvements	27.5 years
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Depreciation totaled \$28,620 and \$37,738 for the years ended December 31, 2024 and 2023, respectively.

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

Impairment of Real Estate

The Organization reviews its investment in real estate for impairment whenever events and changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of real estate exceeds the fair value of such property. There were no impairment losses recognized in 2024 and 2023.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation totaling \$16,433 and \$12,195 at December 31, 2024 and 2023, respectively, is accrued when earned, and included in accounts payable and accrued expenses.

Revenue Recognition

Government grants are recognized in the period in which the related work is performed in accordance with the terms of the agreement. Grants receivables are recorded when revenue earned under a grant exceeds the cash received. Grants receivables totaled \$49,389 and \$60,336 at December 31, 2024 and 2023, respectively.

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

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

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

Donated Materials and Services

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements, unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended December 31, 2024 and 2023 did not meet the requirements above, therefore no amounts were recognized in the financial statements.

The Organization received in-kind donations of program supplies and food totaling \$40,815 and \$33,546 for the years ended December 31, 2024 and 2023, respectively, which have been recorded as in-kind contributions and in-kind expenses in the statements of functional expenses.

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

2024				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies and food	\$40,815	Various program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Donated Materials and Services (Continued)

2023				
Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies and food	\$33,546	Various program services	No associated donor restrictions	Estimated the fair value on the basis of estimate of current market price that would be received for selling similar products in the United States.

Functional Allocation of Expenses

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

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets—operating and lease liability—operating, and finance leases are included in right-of-use ("ROU") assets—financing and lease liability—financing in the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Income Taxes

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

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2024, 2023, 2022 and 2021 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 2 - Significant Accounting Policies: (Continued)

Concentration of Credit Risk

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

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The Organization has not experienced any losses in such accounts.

The following is a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total in the statements of cash flows at December 31:

	<u>2024</u>	<u>2023</u>
Cash	\$ 169,979	\$ 301,798
Certificates of deposit	110,035	110,100
Tenant security deposits	5,900	4,150
Total Cash and Cash Equivalents and Restricted Cash	<u>\$ 285,914</u>	<u>\$ 416,048</u>

Subsequent Events

The Organization has evaluated subsequent events through November 18, 2025, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

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

Note 3 - Liquidity and Availability

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

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

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 285,914	\$ 416,048
Grants receivable	49,389	60,336
Total	<u>\$ 335,303</u>	<u>\$ 476,384</u>

INTERFAITH SHELTER NETWORK OF SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

Note 4 - Property and Equipment:

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 382,857	\$ 382,857
Building	581,570	581,570
Improvements	456,226	456,226
Construction in progress	907,672	836,112
Subtotal	<u>2,328,325</u>	<u>2,256,765</u>
Less: Accumulated depreciation	<u>(841,431)</u>	<u>(812,811)</u>
Property and Equipment, Net	<u><u>\$ 1,486,894</u></u>	<u><u>\$ 1,443,954</u></u>

Note 5 - Note Payable:

The Organization purchased and rehabilitated an apartment complex (the Project) on March 7, 1996. The Organization obtained a promissory note from the San Diego Housing Commission totaling \$964,427. The promissory note is comprised of a loan in the amount of \$100,013 and a grant in the amount of \$864,414.

The \$100,013 loan from the San Diego Housing Commission is required to be repaid in March 2026, along with accrued interest at 3% per year. The San Diego Housing Commission has the option to extend the due date of March 2026 for a period of up to 30 years. Annual payments up to the annual interest are required if residual receipts are earned in any year. Residual receipts are defined as all income remaining annually after the payment of all expenses of the Project, including mortgage payments, interest expenses, management expenses, utility fees, improvements, case management expenses, and other costs reasonably related to the operation of the Project. The Organization has not earned residual receipts in any month and no interest payments have been paid. Interest accrued totaled \$87,603 and \$84,561 at December 31, 2024 and 2023, respectively.

The \$864,414 grant from the San Diego Housing Commission will be forgiven in 2026 unless the Organization is determined to be in breach or default of the promissory note. A breach or default is defined by the grant to occur, if the Interfaith Shelter Network of San Diego agrees to or actually sells, conveys, transfers or disposes of the property described in the Deed of Trust securing the note or any part of it or any interest in it, or further encumbers the property, without first obtaining the written consent of the San Diego Housing Commission. If such a breach or default occurs, the Organization will be responsible for repaying the grant amount of \$864,414 plus interest accrued at 10% per year from the date of breach.

Since repayment is only required in the event of a breach, the loan was recorded as a grant in 1996 from the San Diego Housing Commission and no accrued interest is being recorded.

Accumulation of annual receipts is extremely unlikely, given the income level of the population served, and the Organization expects that default and/or breach on any provisions of the promissory note are also extremely unlikely.

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Note 6 - Net Assets With Donor Restrictions:

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
El Nido Housing Program	\$ 5,943	\$ 9,651
Rotational Shelter Program	550	3,804
Total Subject to Expenditure for Specified Purpose	<u>6,493</u>	<u>13,455</u>
Total Net Assets with Donor Restrictions	<u>\$ 6,493</u>	<u>\$ 13,455</u>

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

	<u>2024</u>	<u>2023</u>
Purpose Restrictions Accomplished:		
El Nido Housing Program	\$ 3,708	\$ 128,330
Rotational Shelter Program	3,254	1,454
Total Net Assets Released from Restrictions	<u>\$ 6,962</u>	<u>\$ 129,784</u>

Note 7 - Commitments:

Operating Leases

The Organization subleases certain office space from another nonprofit organization (the sublessor) under a sublease agreement which matured on July 31, 2023. The Organization has signed an extension to the sublease agreement through July 31, 2026. The sublessor has a master lease agreement with a lessor for this office space. Rent expense totaled \$49,492 and \$47,098 for the years ended December 31, 2024 and 2023, respectively, and is included in rent on the statements of functional expenses.

The following summarizes the line items on the statements of financial position for the operating lease at December 31:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ <u>53,662</u>	\$ <u>85,583</u>
Operating lease liability - current portion	\$ 33,996	\$ 31,452
Operating lease liability - noncurrent portion	20,875	54,871
Total Operating Lease Liabilities	<u>\$ 54,871</u>	<u>\$ 86,323</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term – Operating	12 months	10 months
Weighted average discount rate	4.57%	4.57%

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Note 7 - Commitments: (Continued)

Operating Leases (Continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 49,492	\$ 47,098
Total Lease Cost (included in rent)	\$ 49,492	\$ 47,098

The following summarizes cash flow information related to leases for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ 34,630	\$ 13,885

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

<u>Years Ended December 31</u>	
2025	\$ 35,581
2026	21,114
Total	56,695
Less: Discount	(1,824)
Present Value of Lease Liabilities	\$ 54,871

401k Plan

In December 2014, the Organization established a qualified 401(k) profit sharing plan (Plan) for its employees. Employees must be at least twenty-one years of age and must be employed for twelve consecutive months in which at least 1,000 hours of service are completed in order to be eligible to participate in the plan. Employer contributions are discretionary and may reach the maximum of 3% of each employee's base compensation. Participants become fully vested in employer discretionary contributions after two years of service. The Organization's Board of Directors annually determines if a contribution will be made based on the financial position of the Organization. The Organization made employer discretionary contributions to the Plan totaling \$2,868 and \$2,899 for the years ended December 31, 2024 and 2023, respectively, and is included in employee benefits.

Note 8 - Litigation:

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