

INTERFAITH SHELTER NETWORK OF SAN DIEGO

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024



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, 2025 and 2024, 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, 2025 and 2024, 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.

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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
October 23, 2026

INTERFAITH SHELTER NETWORK OF SAN DIEGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
Current Assets: (Note 2)		
Cash and cash equivalents	$ 228,195	$ 280,014
Security deposits	5,700	5,900
Grants receivable	59,794	49,389
Total Current Assets	293,689	335,303
Noncurrent Assets: (Notes 2, 4, 5 and 7)		
Property and equipment, net	1,486,904	1,486,894
Right-of-use assets - operating leases, net	20,235	53,662
Total Noncurrent Assets	1,507,139	1,540,556
TOTAL ASSETS	$ 1,800,828	$ 1,875,859

LIABILITIES AND NET ASSETS

Current Liabilities: (Notes 2, 5 and 7)		
Accounts payable and accrued expenses	$ 45,374	$ 32,137
Tenant deposits	5,700	5,900
Current portion of operating lease liability	20,875	33,996
Accrued interest	90,645	87,603
Total Current Liabilities	162,594	159,636
Noncurrent liabilities: (Notes 2, 5 and 7)		
Note payable	100,013	100,013
Operating lease liability, net of current portion	-	20,875
Total Noncurrent Liabilities	100,013	120,888
Total Liabilities	262,607	280,524
Commitments and Contingency (Notes 5, 7 and 8)		
Net Assets: (Notes 2 and 6)		
Without donor restrictions	1,534,773	1,588,842
With donor restrictions	3,448	6,493
Total Net Assets	1,538,221	1,595,335
TOTAL LIABILITIES AND NET ASSETS	$ 1,800,828	$ 1,875,859

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, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions	$ 402,006	$ -	$ 402,006	$ 239,858	$ -	$ 239,858
Government grants	141,209	-	141,209	277,163	-	277,163
In-kind contributions	43,799	-	43,799	40,815	-	40,815
Rents and laundry	36,319	-	36,319	33,068	-	33,068
Special events (net of direct related expenses of $10,718 and $10,360, respectively)	31,303	-	31,303	24,815	-	24,815
Other income	15,361	-	15,361	-	-	-
Interest income	9,648	-	9,648	9,639	-	9,639
Net assets released from restrictions	3,045	(3,045)	-	6,962	(6,962)	-
Total Revenue and Support	682,690	(3,045)	679,645	632,320	(6,962)	625,358
Expenses:						
Program Services:						
El Nido	322,618	-	322,618	331,841	-	331,841
Rotational Shelter	282,485	-	282,485	308,193	-	308,193
Total Program Services	605,103	-	605,103	640,034	-	640,034
Supporting Services:						
General and administrative	131,656	-	131,656	105,155	-	105,155
Total Supporting Services	131,656	-	131,656	105,155	-	105,155
Total Expenses	736,759	-	736,759	745,189	-	745,189
Change in Net Assets	(54,069)	(3,045)	(57,114)	(112,869)	(6,962)	(119,831)
Net Assets at Beginning of Year	1,588,842	6,493	1,595,335	1,701,711	13,455	1,715,166
NET ASSETS AT END OF YEAR	$ 1,534,773	$ 3,448	$ 1,538,221	$ 1,588,842	$ 6,493	$ 1,595,335

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, 2025

	Program Services			Supporting Services	
	El Nido	Rotational Shelter	Total Program Services	General and Administrative	Total Expenses
ılaries	$ 165,288	$ 130,012	$ 295,300	$ 59,212	$ 354,512
ɪployee benefits	18,085	30,336	48,421	22,146	70,567
ıyroll taxes	13,810	5,442	19,252	10,157	29,409
Total Personnel	197,183	165,790	362,973	91,515	454,488
epreciation	16,590	-	16,590	-	16,590
quipment rental	1,357	129	1,486	-	1,486
-kind supplies and food	-	43,799	43,799	-	43,799
surance	12,372	2,389	14,761	16,821	31,582
terest expense	3,042	-	3,042	-	3,042
ffice	2,558	651	3,209	4,999	8,208
ther expenses	7,758	64	7,822	10,739	18,561
ofessional fees	9,246	7,666	16,912	1,383	18,295
ogram expenses	54,737	23,046	77,783	2,832	80,615
ent	14,567	35,533	50,100	-	50,100
aff training	406	-	406	65	471
elephone and internet	2,764	2,425	5,189	3,187	8,376
ravel and transportation	38	993	1,031	115	1,146
Total Expenses	$ 322,618	$ 282,485	$ 605,103	$ 131,656	$ 736,759

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

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, 2025 AND 2024

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	$ (57,114)	$ (119,831)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,590	28,620
(Increase) Decrease in:		
Grants receivable	(10,405)	10,947
Right-of-use assets – operating leases, net	33,427	31,921
Increase (Decrease) in:		
Accounts payable and accrued expenses	13,237	16,429
Tenant deposits	(200)	1,750
Operating lease liability	(33,996)	(31,452)
Accrued interest	3,042	3,042
Net Cash Used in Operating Activities	(35,419)	(58,574)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(16,600)	(71,560)
Net Cash Used in Investing Activities	(16,600)	(71,560)
Net Decrease in Cash and Cash Equivalents and Restricted Cash	(52,019)	(130,134)
Cash and Cash Equivalents and Restricted Cash at Beginning of Year	285,914	416,048
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 233,895	$ 285,914
Supplemental Disclosure of Cash Flow Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 35,668	$ 34,630

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

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 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.

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, 2025 and 2024.

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, 2025 and 2024.

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

Depreciation totaled $16,590 and $28,620 for the years ended December 31, 2025 and 2024, 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 2025 and 2024.

Note 2 - Significant Accounting Policies: (Continued)

Compensated Absences

Accumulated unpaid vacation totaling $15,202 and $16,433 at December 31, 2025 and 2024, respectively, is accrued when earned, and included in accounts payable and accrued expenses.

Security Deposits

Security deposits are restricted to the extent of the security deposit liability totaling $5,700 and $5,900 at December 31, 2025 and 2024, respectively.

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 $59,794 and $49,389 at December 31, 2025 and 2024, 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, 2025 and 2024 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 $43,799 and $40,815 for the years ended December 31, 2025 and 2024, respectively, which have been recorded as in-kind contributions and in-kind expenses in the statements of functional expenses.

Note 2 - Significant Accounting Policies: (Continued)

Donated Materials and Services (Continued)

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

2025

Items Donated	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Program supplies and food	$43,799	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.

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.

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 statements 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 statements 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.

Note 2 - Significant Accounting Policies: (Continued)

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, 2025, 2024, 2023 and 2022 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three-to-four years after the returns were filed.

Concentration of Credit Risk

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

Cash and Cash Equivalents and Restricted Cash

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

The following is a reconciliation of cash and 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:

	2025	2024
Cash	$ 228,195	$ 169,979
Tenant security deposits	5,700	5,900
Certificates of deposit	-	110,035
Total Cash and Cash Equivalents and Restricted Cash	$ 233,895	$ 285,914

Subsequent Events

The Organization has evaluated subsequent events through October 23, 2026, 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:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	$ 228,195	$ 280,014
Grants receivable	59,794	49,389
Total	$ 287,689	$ 329,403

Note 4 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2025	2024
Land	$ 382,857	$ 382,857
Building	581,570	581,570
Improvements	456,226	456,226
Construction in progress	924,272	907,672
Subtotal	2,344,925	2,328,325
Less: Accumulated depreciation	(858,021)	(841,431)
Property and Equipment, Net	$ 1,486,904	$ 1,486,894

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. Subsequent to year end, the loan was paid in full and the Deed of Trust no longer secures the loan. 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 generated residual receipts in any month and no interest payments have been paid. Interest accrued totaled $90,645 and $87,603 at December 31, 2025 and 2024, 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. Subsequent to year end, the Deed of Trust continues to secure the compliance requirements of the grant.

Note 5 - Note Payable: (Continued)

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

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

Note 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:

	2025	2024
Subject to Expenditure for Specified Purpose:		
El Nido Housing Program	$ 3,448	$ 5,943
Rotational Shelter Program	-	550
Total Subject to Expenditure for Specified Purpose	3,448	6,493
Total Net Assets with Donor Restrictions	$ 3,448	$ 6,493

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:

	2025	2024
Purpose Restrictions Accomplished:		
El Nido Housing Program	$ 2,495	$ 3,708
Rotational Shelter Program	550	3,254
Total Net Assets Released from Restrictions	$ 3,045	$ 6,962

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 August 31, 2026. Subsequent to year end, the Organization extended its lease for an additional 3 years, thereby amending the lease end date to August 31, 2029. The sublessor has a master lease agreement with a lessor for this office space. Rent expense totaled $50,731 and $49,492 for the years ended December 31, 2025 and 2024, 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:

	2025	2024
Operating lease right-of-use asset	$ 20,235	$ 53,662
Operating lease liability - current portion	$ 20,875	$ 33,996
Operating lease liability - noncurrent portion	-	20,875
Total Operating Lease Liabilities	$ 20,875	$ 54,871

Note 7 - Commitments: (Continued)

Operating Leases (Continued)

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

	2025	2024
Weighted average remaining lease term – Operating	7 months	12 months
Weighted average discount rate	4.57%	4.57%

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

	2025	2024
Operating lease expense	$ 50,731	$ 49,492
Total Lease Cost (included in rent)	$ 50,731	$ 49,492

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

	2025	2024
Operating cash flows from operating leases	$ 35,668	$ 34,630

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

Years Ended December 31	
2026	$ 21,114
Total	21,114
Less: Discount	(239)
Present Value of Lease Liabilities	$ 20,875

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 $3,600 and $2,868 for the years ended December 31, 2025 and 2024, 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.