CONSOLIDATED FINANCIAL STATEMENTS

INTERFAITH WORKS

INTERFAITH WORKS, INC.
AND AFFILIATE

FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020

INTERFAITH WORKS, INC.
AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Interfaith Works, Inc. and Affiliate
Rockville, Maryland

We have audited the accompanying consolidated financial statements of Interfaith Works, Inc. and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2021, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position and Consolidating Schedule of Activities and Change in Net Assets on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gelman Rosenberg & Freedman

February 23, 2022

INTERFAITH WORKS, INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	2021	2020
Cash and cash equivalents	$ 2,496,665	$ 1,924,939
Investments	253,731	200,735
Accounts receivable	777,412	534,749
Prepaid expenses and other assets	37,342	56,985
Property and equipment, net	897,916	910,209
TOTAL ASSETS	**$ 4,463,066**	**$ 3,627,617**

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Federal loan payable	$ -	$ 811,800
Notes payable	75,804	520,822
Forgivable note payable	588,470	588,470
Accounts payable and accrued liabilities	147,651	86,843
Accrued salaries and related benefits	341,507	320,780
Refundable advance	5,500	50,500
Other liabilities	22,769	24,106
Total liabilities	1,181,701	2,403,321
NET ASSETS		
Without donor restrictions	3,220,304	1,186,394
With donor restrictions	61,061	37,902
Total net assets	3,281,365	1,224,296
TOTAL LIABILITIES AND NET ASSETS	**$ 4,463,066**	**$ 3,627,617**

INTERFAITH WORKS, INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Donated goods, facilities, and services	$ 7,777,547	$ -	$ 7,777,547	$ 7,624,252
Federal, state, and county grants	7,430,770	-	7,430,770	5,211,974
Contributions	1,301,268	211,103	1,512,371	1,369,179
Rental income	218,281	-	218,281	241,632
Program income	113,950	-	113,950	99,570
Investment income (loss), net	53,182	-	53,182	(2,576)
Gain on sale of property	361,578	-	361,578	483,249
Other revenue	-	-	-	10,000
Net assets released from donor restrictions	187,944	(187,944)	-	-
Total support and revenue	17,444,520	23,159	17,467,679	15,037,280
EXPENSES				
Program Services:				
Interfaith Clothing Center	6,612,264	-	6,612,264	6,051,387
Homeless Services	7,334,373	-	7,334,373	6,109,149
Interfaith Housing Coalition	289,638	-	289,638	294,837
Vocational Services	264,597	-	264,597	275,813
Connections	422,172	-	422,172	237,881
Emergency Assistance Coalition	157,109	-	157,109	187,091
Friends in Action	67,255	-	67,255	108,377
Network	67,748	-	67,748	101,899
Total program services	15,215,156	-	15,215,156	13,366,434
Supporting Services:				
General and Administrative	576,480	-	576,480	628,650
Development	430,774	-	430,774	402,209
Total supporting services	1,007,254	-	1,007,254	1,030,859
Total expenses	16,222,410	-	16,222,410	14,397,293
Change in net assets before other item	1,222,110	23,159	1,245,269	639,987
OTHER ITEM				
Forgiveness of federal loan payable	811,800	-	811,800	-
Changes in net assets	2,033,910	23,159	2,057,069	639,987
Net assets at beginning of year	1,186,394	37,902	1,224,296	584,309
NET ASSETS AT END OF YEAR	**$ 3,220,304**	**$ 61,061**	**$ 3,281,365**	**$ 1,224,296**

See accompanying notes to consolidated financial statements.

INTERFAITH WORKS INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021								
	Program Services								
	Interfaith Clothing Center	Homeless Services	Interfaith Housing Coalition	Vocational Services	Connections	Emergency Assistance Coalition	Friends in Action	Network	Total Program Services
Donated goods and services	$ 6,087,900	$ 238,024	$ -	$ 10,155	$ -	$ -	$ 2,100	$ -	$ 6,338,179
Salary and wages	256,593	3,888,187	77,281	175,057	120,995	72,633	38,196	48,308	4,677,250
Donated facilities	153,432	1,232,662	21,310	8,523	12,786	-	10,655	-	1,439,368
Client support	155	686,896	72,882	5,626	248,874	-	1,061	-	1,015,494
Taxes and related benefits	46,893	568,815	12,659	35,513	24,183	10,860	7,339	7,827	714,089
Legal and other professional fees	-	172,609	25,016	-	-	-	-	-	197,625
Repairs and maintenance	13,844	174,904	1,528	3,389	2,916	558	209	593	197,941
Computers and furniture	18,967	90,281	-	11,983	2,884	1,994	3,928	2,349	132,386
Payroll, accounting and financial	6,435	72,254	2,082	4,215	2,869	982	1,545	1,983	92,365
Rent and utilities	-	45,787	1,551	-	-	4,290	-	4,290	55,918
Depreciation and amortization	3,382	37,082	27,043	2,008	1,198	2,195	998	611	74,517
Telephone and communications	8,701	51,097	1,579	6,364	4,543	1,002	237	1,081	74,604
Grants to others	-	-	-	-	-	61,560	-	-	61,560
Printing and production	9,271	21,024	-	641	-	400	-	291	31,627
Office and supplies	4,735	21,112	534	9	250	391	109	166	27,306
Homeowners association fees	-	-	37,807	-	-	-	-	-	37,807
Personnel-related expenses	1,587	22,316	109	982	490	152	755	154	26,545
Other	-	-	-	-	-	-	-	-	-
Interest	-	-	632	-	-	-	-	-	632
Travel and meeting	60	9,090	2,132	-	-	-	77	-	11,359
Property taxes and licenses	125	(187)	5,219	-	-	-	-	-	5,157
Postage and delivery	184	2,240	274	132	184	92	46	95	3,247
Conferences and meetings	-	180	-	-	-	-	-	-	180
TOTAL	**$ 6,612,264**	**$7,334,373**	**$ 289,638**	**$ 264,597**	**$ 422,172**	**$ 157,109**	**$ 67,255**	**$ 67,748**	**$15,215,156**

See accompanying notes to consolidated financial statements.

INTERFAITH WORKS INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021 (Continued)				2020
	Supporting Services				
	General and Administrative	Development	Total Supporting Services	Total Expenses	Total Expenses
Donated goods and services	$ -	$ -	$ -	$ 6,338,179	$ 6,181,613
Salary and wages	345,574	273,972	619,546	5,296,796	4,224,523
Donated facilities	-	-	-	1,439,368	1,442,639
Client support	26	410	436	1,015,930	704,049
Taxes and related benefits	89,303	39,975	129,278	843,367	721,261
Legal and other professional fees	4,615	55,430	60,045	257,670	106,455
Repairs and maintenance	5,182	1,938	7,120	205,061	117,769
Computers and furniture	25,723	16,070	41,793	174,179	129,403
Payroll, accounting and financial	9,234	9,076	18,310	110,675	182,491
Rent and utilities	21,626	13,045	34,671	90,589	101,936
Depreciation and amortization	6,498	4,731	11,229	85,746	86,856
Telephone and communications	6,710	3,511	10,221	84,825	87,736
Grants to others	-	-	-	61,560	57,429
Printing and production	2,501	5,021	7,522	39,149	39,147
Office and supplies	9,813	1,429	11,242	38,548	26,422
Homeowners association fees	486	-	486	38,293	38,958
Personnel-related expenses	4,833	1,811	6,644	33,189	16,827
Other	25,730	2,168	27,898	27,898	47,401
Interest	17,677	-	17,677	18,309	49,403
Travel and meeting	-	-	-	11,359	19,032
Property taxes and licenses	-	-	-	5,157	5,362
Postage and delivery	(950)	2,187	1,237	4,484	6,546
Conferences and meetings	1,899	-	1,899	2,079	4,035
TOTAL	**$ 576,480**	**$ 430,774**	**$ 1,007,254**	**$ 16,222,410**	**$ 14,397,293**

See accompanying notes to consolidated financial statements.

INTERFAITH WORKS, INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,057,069	$ 639,987
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,746	86,856
Unrealized (gain) loss	(38,663)	3,686
Gain on sales of property and equipment, net	(331,730)	(446,899)
Forgiveness of federal loan payable	(811,800)	-
(Increase) decrease in:		
Accounts receivable	(242,663)	89,201
Prepaid expenses and other assets	19,643	(1,631)
Increase (decrease) in:		
Accounts payable and accrued liabilities	60,808	26,651
Accrued salaries and related benefits	20,727	95,904
Refundable advance	(45,000)	38,800
Other liabilities	(1,337)	(869)
Net cash provided by operating activities	772,800	531,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(93,421)	(20,827)
Proceeds from sale of property and equipment	351,698	425,470
Purchase of investments	(14,333)	(204,421)
Net cash provided by investing activities	243,944	200,222
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Federal loan payable	-	811,800
Proceeds from note payable	-	450,000
Payments on note payable	(445,018)	(646,914)
Proceeds from line of credit	-	500,000
Payments on line of credit	-	(500,000)
Net cash (used) provided by financing activities	(445,018)	614,886
Net increase in cash and cash equivalents	571,726	1,346,794
Cash and cash equivalents at beginning of year	1,924,939	578,145
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,496,665**	**$ 1,924,939**
SUPPLEMENTAL INFORMATION:		
Note Payable Paid with Proceeds from Sale of Property and Equipment	**$ 150,000**	**$ 110,000**
Cash Paid During the Year for Interest	**$ 18,309**	**$ 49,403**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Interfaith Works, Inc. (IW) is a non-profit organization, incorporated in the State of Maryland and located in Washington, DC. IW is a non-sectarian interfaith coalition of more than 165 affiliated congregations of diverse faiths, working together to meet the needs of the poor and homeless in Montgomery County, Maryland. IW's programs shelter, clothe, and feed their neighbors in need and provide supportive services with the goal of helping them achieve self-sufficiency.

The Interfaith Housing Coalition, Inc. (IHC) is a non-profit organization, incorporated in the State of Maryland and located in Washington, D.C. IHC provides permanent, supportive housing to formerly homeless families in 24 housing units scattered throughout the County.

Principles of consolidation -

The accounts of Interfaith Works, Inc. have been consolidated with the Interfaith Housing Coalition (collectively, the Organization) in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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 and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements adopted -

During 2021, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000.

At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of $1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2021 totaled $85,746.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Organization is not a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

For the year ended June 30, 2021, the Organization has documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Debt issuance costs -

In accordance with the FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, the Organization presents debt issuance costs in the consolidated financial statement as a direct deduction from the related debt liability. Amortization of the costs is reported as interest expense.

Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. he Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, the Organization had approximately $5,070,609 in unrecognized awards as of June 30, 2021.

Donated goods, facilities, and services -

Donated goods, facilities, and services are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to the Organization; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the consolidated financial statements 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

A description of the Organization’s significant program services are as follows:

Interfaith Clothing Center: Provides free clothing and household goods to 13,000 income-qualified residents each year, including nearly 6,000 children, through the distribution of millions of dollars’ worth of donated items. The Interfaith Clothing Center also houses a Prepare to Impress Shop (professional clothing), distributes specialized items such as layettes to expectant mothers and brand-new backpacks filled with new school supplies to MCPS students.

Homeless Services: Beck's House houses senior homeless women in an 8-bed home, providing 24-hour oversight and intensive case management to improve the overall health and stability of frail, higher-need individuals.

Interfaith Works Empowerment Center engages over 800 individuals in a day program with access to showers, laundry, support groups, and case management services to those experiencing homelessness. It also operates as a heating/cooling center during weather extremes. During the winter months, the Overflow Shelter opens to approximately 350 adults, providing a place to sleep on cold nights.

Interfaith Homes provides scattered-site apartments for 31 men and women who have previously experienced chronic homelessness. Interfaith Homes offers wrap around clinical and medical case management services that empower individuals to maintain income and housing.

Interfaith Works Housing Initiatives Program provides service coordination for 35 individuals housed in their own apartments through Montgomery County’s Housing Initiative Program. The program provides wrap-around case management services including coordination of care, life skills development and tenancy support as well as community referrals.Interfaith Works Residences provides 24-hour staff supported private living quarters to 21 men and women who previously have experienced long-term homelessness.Interfaith Works Residences offers a safe environment where residents can identify and overcome barriers to self-sufficiency and housing.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses (continued) -

Homeless Services (continued): Interfaith Works Women's Center provides emergency shelter, meals and case management to approximately 250 women experiencing homelessness annually at a 70-bed facility. Interfaith Works Women's Center helps women overcome barriers by connecting them with community resources that empower them to overcome homelessness.

Watkins Mill House provides transitional housing to women who have experienced homelessness with behavioral health diagnoses in an 8-bed home, offering 24-hour support and case management. Watkins Mill House links clients to treatment, IW's vocational services, and other resources to help women gain the supports they need to move themselves to more stable, permanent housing.

Interfaith Housing Coalition: Provides permanent housing with support for 13 families. Each family is engaged in intensive case management and works towards customized family action plan goals aimed at progressing to maximized independence.

Vocational Services: Engages 250 low-income and homeless individuals in job readiness classes, career counseling and training, and one-on-one job placement services.

Connections: Previously named Hand-to-Hand, Connections provides resource counseling to low income individuals and families. Connections provides referrals to programs within Interfaith Works as well as outside of the agency. Connections is also responsible for distributing emergency financial assistance for eviction prevention, utility cut-off prevention, and other unmet needs.

Emergency Assistance Coalition: Previously named Congregation & Community Emergency Support, Emergency Assistance Coalition leads a multi-agency collaboration of emergency assistance providers offering capacity building, financial assistance services and advocacy. Emergency Assistance Coalition impacts the lives of 30,000 financially fragile individuals and supports efforts to empower clients toward self-sufficiency; offers support to congregations through consultation, referral and training; and provides counseling, referrals, grants and loans to help individuals stay utility cut-offs, avoid eviction, and pay for other essential expenses and to facilitate multi-agency collaboration.

Friends in Action: Serves 40 families with 120 trained volunteer mentors divided into teams. Each family member works closely with a case manager to set individualized goals to improve essential living skills and stabilize areas of crisis. Mentor teams work with families for at least one year and often longer.

Network: Provides assistance to Montgomery County faith communities in meeting community needs including religious land use, neighbors in need, and responding to acts of violence or hate.

Risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Risks and uncertainties (continued)

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

The Organization adopted the provisions of FASB ASC 820, Fair Value Measurement. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organization plans to adopt the new ASUs at the required implementation dates, and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying consolidated financial statements.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization' operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organization has categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

Mutual Funds (Bonds) and Exchange Traded Funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2021.

	Level 1	Level 2	Level 3	Total
Investments				
Exchange Traded Funds	$ 218,308	$ -	$ -	$ 218,308
Mutual Funds (Bond)	35,423	-	-	35,423
TOTAL INVESTMENTS	**$ 253,731**	**$ -**	**$ -**	**$ 253,731**

Included in investment income are the following:

Interest and dividends, net	$ 14,519
Unrealized gain	38,663
TOTAL INVESTMENT LOSS, NET OF INVESTMENT EXPENSES	**$ 53,182**

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at June 30, 2021:

Land	$ 486,648
Buildings	922,975
Computer equipment	744,432
Vehicles	106,263
Leasehold improvements	666,931
Total Property and equipment, net	2,927,249
Less: Accumulated depreciation and amortization	(2,029,333)
NET PROPERTY AND EQUIPMENT, NET	**$ 897,916**

Gain on Sales of Property and Equipment: In December 2020, the Organization sold the property at 11126 Cedarwood. The Organization received net proceeds totaling $351,698, which equaled the sales price of the property less closing costs of $29,848 and a loan payment of $150,000. A gain on the sale of $361,578 is reported in the Consolidated Statement of Activities and Change in Net Assets during the year ended June 30, 2021.

Donated Facilities: The Organization receives free or discounted use of several facilities used for various programs. The value of the free or discounted use of these facilities has been recorded as donated facilities revenue and expense (see Note 11).

4. LINE OF CREDIT

The Organization has a line-of-credit with a commercial bank which makes available a total of $500,000 for draw-down. The line-of-credit is secured by various properties owned by the Organization, and the balance due is payable upon demand. The line of credit matures on December 27, 2023, and amounts borrowed under this agreement bear interest at a variable rate described within the agreement.

5. FEDERAL LOAN PAYABLE

On April 21, 2020, the Organization received loan proceeds in the amount of $811,800 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration (SBA) in whole or in part. The Organization used the proceeds for purposes consistent with the Paycheck Protection Program and received forgiveness by the SBA on February 24, 2021. Revenue from forgiveness of debt was recorded during the year ended June 30, 2021.

6. FORGIVABLE NOTE PAYABLE

Montgomery County provides funding to the Organization in the form of promissory notes that may be forgiven if certain conditions are met, some of which are as simple as the passage of time. The Organization' forgivable notes payables are considered to be liabilities until the conditions of debt forgiveness have been met. While management believes the conditions of debt forgiveness will be met, if the stipulated conditions of debt forgiveness are not met, the notes payable will be repaid in accordance with their terms.

6. FORGIVABLE NOTE PAYABLE (Continued)

The Organization had one forgivable note payable totaling $588,470 at June 30, 2021. The forgivable note payable is eligible to be forgiven during the year ending June 30, 2038. There were no forgivable notes payable that met the conditions of debt forgiveness during the year ended June 30, 2021.

7. NOTES PAYABLE

The Organization has financed the acquisition of various housing properties or building improvements through debt obligations from various lenders such as financial institutions, the State of Maryland Department of Housing and Community Development, or the Montgomery County Department of Housing. The Organization's various housing properties are pledged as security in relation to the notes payable.

Potentially forgivable note payable: The mortgage with a maturity in August 2041 (fiscal year ending June 30, 2042) and an interest rate of 1.00% which has a balance of $63,666 at June 30, 2021, could be a forgivable note payable. However, the underlying note documents do not conclusively indicate forgiveness even though the note was provided by Montgomery County and requires no principal payments. Due to the uncertainty of forgiveness, the note payable has not been classified as a forgivable note payable in the consolidated financial statements.

Mortgage payoff: In December 2020, the Organization paid off an additional note at the time of sale of one of the Organization's properties (see Note 3).

The notes payable have no debt covenants other than to provide financial information to lenders. The notes payable have various interest rates and maturities and consisted of the following at June 30, 2021:

TYPE	ORIGINAL AMOUNT	RATE	MATURITY	PRINCIPAL REMAINING
Mortgage	$ 14,500	3.00 %	2026	$ 1,613
Mortgage	$ 40,000	4.00 %	2026	10,525
Mortgage	$ 63,666	1.00 %	2042	63,666
				$ 75,804

Principal payments are due as follows:

Year Ending June 30,	
2022	$ 2,408
2023	2,467
2024	2,530
2025	2,312
2026	2,237
2027 and Thereafter	63,850
	$ 75,804

For the year ended June 30, 2021 interest expense was $18,309.

8. BOARD DESIGNATED NET ASSETS

As of June 30, 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

Operating Reserve	**$ 253,731**

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Friends in Action	$ 6,000
Connections	43,806
Vocational Services	11,255
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 61,061**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Connections	$ 47,560
Friends in Action	4,589
Network	5,600
Homeless Services	70,049
Interfaith Clothing Centers	31,243
Vocational Services	21,787
Interfaith Housing Coalition	3,216
EAC	3,900
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 187,944**

10. LIQUIDITY AND AVAILABILITY

The Organization receives a significant amount of support from donors and consider contributions with donor restrictions related to ongoing programs as available to meet cash needs for general expenditures. The Organization manages their cash flows using the following three guiding principles: (1) operating within a prudent range of financial soundness and stability, (2) maintaining adequate liquid assets to fund near-term operating needs, and (3) maintaining sufficient reserves so that long-term obligations will be discharged.

The Organization's liquidity policy requires that current financial assets less current liabilities equal at least one month of operating expense. The Organization's reserve policy requires that undesignated net assets without donor restrictions at the end of each quarter equal at least 15 to 30 days of projected subsequent period disbursements. To achieve these policy requirements, the Organization forecasts future cash flow needs, monitor liquidity monthly, and monitor reserves quarterly. In the event the Organization needs to utilize Board-designated net assets without restriction, the Board of Directors would be required to authorize such use.

10. LIQUIDITY AND AVAILABILITY (Continued)

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 2,496,665
Investments	253,731
Accounts receivable	777,412
Subtotal financial assets available within one year	3,527,808
Less: Donor restricted funds	(61,061)
Less: Board-designated funds	(253,731)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 3,213,016**

11. DONATED GOODS, FACILITIES, AND SERVICES

During the year ended June 30, 2021, the Organization was the beneficiaries of donated goods, facilities, and services which allowed the Organization to provide greater resources toward various programs.

Donated goods are valued based on either the number of volunteer hours expended in order to distribute donated clothing or the estimated cost of donated school supplies. Donated facilities are recorded based on the fair value of the rental space. Donated services are recognized at fair value if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Donated goods, facilities, and services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2021.

Donated goods	$ 6,327,649
Donated facilities	1,439,368
Donated services	10,530
TOTAL	**$ 7,777,547**

Unrecorded amounts: Many individuals volunteer their time and perform a variety of tasks that assist the Organization with the administration of its programs. Without these volunteers, the Organization would have to hire additional staff to maintain the level of service provided to its clients. Although greatly appreciated by the Organization, accounting principles generally accepted in the United States of America do not allow such services to be recorded in the Consolidated Statements of Activities and Change in Net Assets.

12. LEASE COMMITMENTS

The Organization has an operating lease for their administrative offices with Rockville United Methodist Church (RUMC). The Organization and RUMC have reached a mutual understanding that the lease arrangement will continue on a month-to-month basis until further notice. The rent expense related to the administrative offices is reported in rent and utilities expense within the accompanying Consolidated Statement of Functional Expenses and totaled $74,929 for the year ended June 30, 2021.

12. LEASE COMMITMENTS (Continued)

The Organization has operating leases for six houses and several apartments which are occupied by clients of the Homeless Services program. All of the Homeless Services program leases expire within one year.

The Organization has an operating lease for space that supports several programs. The lease expires in November 2024. The base monthly rental was approximately $3,200 during the first lease year, with an annual escalation of 3%. The Organization pays its proportionate share of operating expenses and real estate taxes.

Rent expense related to all of the Homeless Services leases is reported within client support in the consolidated statement of functional revenue and expense and totaled $564,965 for the year ended June 30, 2021.

The following is a schedule of the future minimum lease payments as of the year ended June 30, 2021:

Year Ending June 30,	
2022	$ 43,392
2023	43,392
2024	43,392
2025	18,080
	$ 148,256

The Organization has approximately 40 rental units available for leasing on a month-to-month basis to qualified low-income individuals and families. Although several tenants renew their leases each year, the Organization does not have any tenant leases with terms greater than one year. The Organization's rental income was $218,281 for the year ended June 30, 2021.

Cash received from tenants for security deposits is restricted by state law and, therefore, cannot be used for the Organization's operations. Interest on security deposits, calculated at a rate of 4% per annum if not held in a separate interest-bearing account, is required to be paid to tenants upon termination of tenancy. Cash related to security deposits totaled $13,211 at June 30, 2021. The liability for tenant security deposits has been included in accounts payable and accrued expenses in the accompanying Consolidated Statement of Financial Position.

13. RETIREMENT PLAN

The Organization have a defined contribution 403(b) salary deferral and savings incentive plan, which covers all eligible employees who meet age and length of service requirements. Until June 30, 2018, the Organizations provided a matching contribution equal to 1% of participant compensation and had the option to provide an additional discretionary contribution. Effective on July 1, 2018, the plan document was amended and restated such that the employer contribution consisted of a discretionary match of employee deferrals. The Organization, in their sole discretion, determine the amount of the employer matching contribution.

The Organization's contributions under the plan totaled $28,096 for the year ended June 30, 2021.

14. CONTINGENCY

Certain programs are funded by contracts with Montgomery County and are subject to audit by the County. Until such audits have been completed, a contingency exists that the Organization could be obligated to refund amounts received in excess of allowable costs. Management believes that no material liability will result from the County's program audits.

The Organization participates in a number of federally assisted grant programs. Total Federal expenditures were less than $750,000 for the year ended June 30, 2021. While a single audit was not required, these grant programs are subject to financial and compliance audits by federal agencies or their representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.

15. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 23, 2022, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

INTERFAITH WORKS INC.
AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2021

	IW	IHC	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 1,887,903	$ 608,762	$ -	$ 2,496,665
Investments	253,731	-	-	253,731
Accounts receivable	761,094	16,318	-	777,412
Due from affiliate	2,570	-	(2,570)	-
Prepaid expenses and other assets	29,385	7,957	-	37,342
Property and equipment, net	500,049	397,867	-	897,916
TOTAL ASSETS	**$ 3,434,732**	**$ 1,030,904**	**$ (2,570)**	**$ 4,463,066**
LIABILITIES				
Notes payable	$ -	$ 75,804	$ -	$ 75,804
Forgivable note payable	588,470	-	-	588,470
Accounts payable and accrued expenses	147,270	381	-	147,651
Accrued salaries and related benefits	341,507	-	-	341,507
Due to affiliate	-	2,570	(2,570)	-
Refundable advance	5,500	-	-	5,500
Other liabilities	-	22,769	-	22,769
Total liabilities	1,082,747	101,524	(2,570)	1,181,701
NET ASSETS				
Without donor restriction	2,290,923	929,381	-	3,220,304
With donor restriction	61,061	-	-	61,061
Total net assets	2,351,984	929,381	-	3,281,365
TOTAL LIABILITIES AND NET ASSETS	**$ 3,434,731**	**$ 1,030,905**	**$ (2,570)**	**$ 4,463,066**

INTERFAITH WORKS INC.
AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	IW	IHC	Eliminations	Consolidated
SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS				
Donated goods, facilities, and services	$ 7,777,547	$ -	$ -	$ 7,777,547
Federal, state, and county contracts	7,430,770	-	-	7,430,770
Contributions	1,298,052	3,216	-	1,301,268
Rental income	-	218,281	-	218,281
Program income	113,950	-	-	113,950
Investment income	53,182	-	-	53,182
Gain on sale of property	-	361,578	-	361,578
Net assets released from donor restrictions	187,944	-	-	187,944
Total support and revenue	16,861,445	583,075	-	17,444,520
EXPENSES				
Program Services:				
Interfaith Clothing Center	6,612,264	-	-	6,612,264
Homeless Services	7,334,373	-	-	7,334,373
Interfaith Housing Coalition	159,593	130,045	-	289,638
Vocational Services	264,597	-	-	264,597
Connections	422,172	-	-	422,172
Emergency Assistance Coalition	157,109	-	-	157,109
Friends in Action	67,255	-	-	67,255
Network	67,748	-	-	67,748
Total program services	15,085,111	130,045	-	15,215,156
Supporting Services:				
General and Administrative	576,480	-	-	576,480
Development	430,774	-	-	430,774
Total supporting services	1,007,254	-	-	1,007,254
Total expenses	16,092,365	130,045	-	16,222,410
Change in net assets without donor restrictions	769,080	453,030	-	1,222,110
SUPPORT AND REVENUE WITH DONOR RESTRICTIONS				
Contributions	211,103	-	-	211,103
Net assets released from donor restrictions	(187,944)	-	-	(187,944)
Change in net assets with donor restrictions	23,159	-	-	23,159
Change in net assets before other item	792,239	453,030	-	1,245,269
Forgiveness of federal loan payable	811,800	-	-	811,800
Change in net assets	1,604,039	453,030	-	2,057,069
Net assets at beginning of year	747,945	476,351	-	1,224,296
NET ASSETS AT END OF YEAR	**$ 2,351,984**	**$ 929,381**	**$ -**	**$ 3,281,365**