

**Audited Consolidated Financial Statements  
and Supplementary Information**

**INTERFAITH WORKS, INC. & AFFILIATE**

*June 30, 2015*

|   |        |
|---|--------|
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# Independent Auditor’s Report on the Consolidated Financial Statements

To the Board of Directors  
Interfaith Works, Inc. & Affiliate

We have audited the accompanying consolidated financial statements of Interfaith Works, Inc. & Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional revenue and expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

## Management’s Responsibility for the Consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 Organization’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 Organization’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.

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## Opinion

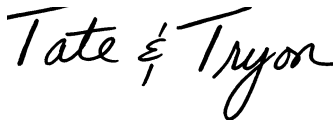
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Interfaith Works, Inc. & Affiliate as of June 30, 2015, and the consolidated changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Summarized Comparative Information

We have previously audited the 2014 consolidated financial statements of the Organization, and our report dated October 17, 2014, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 16, 2015, on our consideration of the internal control over financial reporting and on our tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters related to Interfaith Works, Inc. (IW). However, our report in accordance with *Government Auditing Standards* does not extend to Interfaith Housing Coalition, Inc. (the affiliate). The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.



Washington, DC  
October 16, 2015

# Interfaith Works, Inc. & Affiliate

## Consolidated Statements of Financial Position

| <i>June 30,</i>                                | 2015                | 2014                |
|--|---------------------|---------------------|
| <b>Assets</b>                                  |                     |                     |
| Cash and cash equivalents - Note B             | \$ 624,374          | \$ 684,449          |
| Investments - Notes B & C                      | 300,237             | 288,764             |
| Receivables - Note D                           | 352,934             | 499,151             |
| Prepaid expenses and other assets              | 76,771              | 84,559              |
| Property and equipment - Note E                | 1,558,056           | 1,675,374           |
| <b>Total assets</b>                            | <b>\$ 2,912,372</b> | <b>\$ 3,232,297</b> |
| <b>Liabilities and net assets</b>              |                     |                     |
| Liabilities                                    |                     |                     |
| Accounts payable and accrued expenses - Note F | \$ 352,506          | \$ 361,859          |
| Forgivable notes payable - Note G              | 588,470             | 593,318             |
| Notes payable - Note H                         | 896,883             | 934,658             |
| Total liabilities                              | 1,837,859           | 1,889,835           |
| Commitments and contingencies - Note M         | -                   | -                   |
| Net assets                                     |                     |                     |
| Unrestricted - Notes I & J                     | 987,761             | 1,252,822           |
| Temporarily restricted - Note I                | 86,752              | 89,640              |
| Total net assets                               | 1,074,513           | 1,342,462           |
| <b>Total liabilities and net assets</b>        | <b>\$ 2,912,372</b> | <b>\$ 3,232,297</b> |

See notes to the consolidated financial statements.

# Interfaith Works, Inc. & Affiliate

## Consolidated Statements of Activities

| <b>Year Ended June 30,</b>                        | <b>2015</b>         | <b>2014</b>         |
|---|---------------------|---------------------|
| <b>Unrestricted activities</b>                    |                     |                     |
| Revenue and support                               |                     |                     |
| Donated goods, facilities, and services - Note K  | \$ 5,919,637        | \$ 5,976,813        |
| Federal, state, and county contracts              | 4,188,009           | 4,175,028           |
| Contributions                                     | 628,137             | 674,662             |
| Rental income - Note F                            | 258,305             | 283,258             |
| Program income                                    | 227,193             | 212,673             |
| Investment income - Note C                        | 9,959               | 37,614              |
|   | <b>11,231,240</b>   | <b>11,360,048</b>   |
| Special events                                    | 119,130             | 129,075             |
| Less costs of direct benefits to donors           | (11,024)            | (14,893)            |
|   | <b>108,106</b>      | <b>114,182</b>      |
| Net assets released from restriction - Note I     | 477,703             | 384,092             |
| Total revenue and support                         | <b>11,817,049</b>   | <b>11,858,322</b>   |
| Expense   |                     |                     |
| Program services                                  |                     |                     |
| Interfaith Clothing Centers                       | 5,401,580           | 5,555,628           |
| Homeless Services                                 | 5,220,421           | 4,845,534           |
| Interfaith Housing Coalition                      | 437,968             | 393,050             |
| Congregation & Community Emergency Support        | 243,636             | 256,161             |
| Friends in Action                                 | 139,468             | 150,052             |
| Hand to Hand                                      | 88,719              | 95,496              |
| Education and Advocacy                            | -                   | 1,925               |
| Total program services                            | <b>11,531,792</b>   | <b>11,297,846</b>   |
| Supporting services                               |                     |                     |
| Development                                       | 496,740             | 438,603             |
| General and administrative                        | 58,426              | 125,351             |
| Total supporting services                         | <b>555,166</b>      | <b>563,954</b>      |
| Total expense                                     | <b>12,086,958</b>   | <b>11,861,800</b>   |
| Change in unrestricted net assets from operations | <b>(269,909)</b>    | <b>(3,478)</b>      |
| Notes forgiven - Note G                           | 4,848               | 175,000             |
| Change in unrestricted net assets                 | <b>(265,061)</b>    | <b>171,522</b>      |
| <b>Temporarily restricted activities</b>          |                     |                     |
| Contributions                                     | 474,815             | 365,168             |
| Net assets released from restriction - Note I     | (477,703)           | (384,092)           |
| Change in temporarily restricted net assets       | <b>(2,888)</b>      | <b>(18,924)</b>     |
| <b>Change in net assets</b>                       | <b>(267,949)</b>    | <b>152,598</b>      |
| Net assets, beginning of year                     | 1,342,462           | 1,189,864           |
| <b>Net assets, end of year</b>                    | <b>\$ 1,074,513</b> | <b>\$ 1,342,462</b> |

See notes to the consolidated financial statements.

Interfaith Works, Inc. & Affiliate

Consolidated Statement of Functional Revenue and Expense  
Year Ended June 30, 2015 with 2014 Totals

|  | Program Services            |                     |                              |                          |                    |                    | Supporting Services |                            | 2015 Total          | 2014 Total        |
|--|-----------------------------|---------------------|------------------------------|--------------------------|--------------------|--------------------|---------------------|----------------------------|---------------------|-------------------|
|  | Interfaith Clothing Centers | Homeless Services   | Interfaith Housing Coalition | Congregation & Community | Friends in Action  | Hand to Hand       | Development         | General and Administrative |                     |                   |
| <b>Revenue and support</b>                       |                             |                     |                              |                          |                    |                    |                     |                            |                     |                   |
| Donated goods, facilities, and services - Note K | \$ 5,122,125                | \$ 703,689          | \$ 2,110                     | \$ 8,327                 | \$ 25,005          | \$ -               | \$ -                | \$ 58,381                  | \$ 5,919,637        | \$ 5,976,813      |
| Federal, state, and county contracts             | 109,201                     | 3,892,379           |                              | 79,485                   | 50,676             | 14,133             |                     | 42,135                     | 4,188,009           | 4,175,028         |
| Contributions and loans forgiven - Note G        | 42,578                      | 146,896             | 83,987                       | 83,156                   | 23,715             | 8,332              | 175,966             | 543,170                    | 1,107,800           | 1,214,830         |
| Rental income - Note F                           |                             |                     | 258,305                      |                          |                    |                    |                     |                            | 258,305             | 283,258           |
| Program income                                   | 26,882                      | 196,311             |                              | 3,085                    |                    | 915                |                     |                            | 227,193             | 212,673           |
| Investment income - Note C                       |                             |                     | 4,097                        |                          |                    |                    |                     | 5,862                      | 9,959               | 37,614            |
|  | 5,300,786                   | 4,939,275           | 348,499                      | 174,053                  | 99,396             | 23,380             | 175,966             | 649,548                    | 11,710,903          | 11,900,216        |
| Special events                                   |                             |                     |                              |                          |                    |                    | 119,130             |                            | 119,130             | 129,075           |
| Less costs of direct benefits to donors          |                             |                     |                              |                          |                    |                    | (11,024)            |                            | (11,024)            | (14,893)          |
|  | -                           | -                   | -                            | -                        | -                  | -                  | 108,106             | -                          | 108,106             | 114,182           |
| <b>Total revenue and support</b>                 | <b>5,300,786</b>            | <b>4,939,275</b>    | <b>348,499</b>               | <b>174,053</b>           | <b>99,396</b>      | <b>23,380</b>      | <b>284,072</b>      | <b>649,548</b>             | <b>11,819,009</b>   | <b>12,014,398</b> |
| <b>Expense</b>                                   |                             |                     |                              |                          |                    |                    |                     |                            |                     |                   |
| Donated goods and services - Note K              | 5,035,800                   | 322,707             | 2,110                        | 8,327                    | 25,005             |                    |                     | 58,381                     | 5,452,330           | 5,509,506         |
| Salaries and wages                               | 196,198                     | 2,670,435           | 184,554                      | 55,491                   | 76,806             | 51,439             | 194,594             | 189,937                    | 3,619,454           | 3,436,390         |
| Client support - Note M                          | 5                           | 645,139             | 65,273                       | 67,463                   | 1,614              | 18,035             | 11,117              |                            | 808,646             | 640,611           |
| Taxes and related benefits - Note L              | 26,152                      | 478,041             | 26,230                       | 6,798                    | 8,946              | 8,616              | 36,165              | 59,458                     | 650,406             | 665,028           |
| Donated facilities - Note K                      | 86,325                      | 380,982             |                              |                          |                    |                    |                     |                            | 467,307             | 467,307           |
| Professional fees                                | 2,262                       | 37,610              | 1,227                        | 546                      | 1,227              | 273                | 129,682             | 2,439                      | 175,266             | 210,599           |
| Depreciation and amortization                    | 4,348                       | 80,020              | 73,266                       | 1,159                    | 2,609              | 580                | 3,478               | 5,111                      | 170,571             | 170,828           |
| Computers and furniture                          | 9,871                       | 64,301              | 1,762                        | 1,128                    | 1,980              | 1,264              | 10,197              | 12,811                     | 103,314             | 114,526           |
| Repairs and maintenance                          | 3,275                       | 71,144              | 1,059                        | 756                      | 981                | 250                | 2,110               | 3,042                      | 82,617              | 80,019            |
| Telephone and communications                     | 6,357                       | 60,183              | 2,358                        | 998                      | 1,758              | 499                | 4,822               | 4,987                      | 81,962              | 79,621            |
| Grants to others                                 |                             |                     | 133                          | 75,707                   |                    |                    |                     |                            | 75,840              | 54,298            |
| Accounting, audit, and finance                   | 2,640                       | 48,652              | 5,308                        | 850                      | 2,072              | 359                | 3,528               | 6,763                      | 70,172              | 63,696            |
| Rent and utilities                               |                             | 17,482              | 6,363                        | 3,493                    | 4,916              | 1,419              | 11,302              | 13,384                     | 58,359              | 56,615            |
| Printing and production                          | 3,837                       | 14,239              | 315                          | 621                      | 325                | 105                | 23,509              | 946                        | 43,897              | 50,823            |
| Interest   |                             |                     | 22,138                       |                          |                    |                    |                     | 19,659                     | 41,797              | 46,400            |
| Homeowners association fees                      |                             |                     | 35,268                       |                          |                    |                    |                     |                            | 35,268              | 32,124            |
| Insurance  | 1,372                       | 24,421              | 567                          | 252                      | 567                | 126                | 755                 | 1,127                      | 29,187              | 23,154            |
| Office and supplies                              | 4,574                       | 13,574              | 570                          | 745                      | 1,126              | 125                | 3,894               | 3,876                      | 28,484              | 28,112            |
| Personnel-related expenses                       | 1,104                       | 16,261              | 251                          | 239                      | 621                | 187                | 1,395               | 3,127                      | 23,185              | 16,766            |
| Fundraising                                      |                             |                     | 21                           |                          |                    |                    | 21,186              |                            | 21,207              | 57,477            |
| Travel and transportation                        | 1,088                       | 9,613               | 3,285                        | 818                      | 1,914              |                    | 753                 | 2,917                      | 20,388              | 22,576            |
| Postage and delivery                             | 59                          | 1,945               | 291                          | 588                      | 359                | 294                | 6,196               | 2,532                      | 12,264              | 17,424            |
| Property taxes and licenses                      | 96                          | 1,323               | 5,611                        |                          |                    |                    |                     | 300                        | 7,330               | 8,484             |
| Conferences and meetings                         |                             | 240                 |                              | 4,002                    |                    |                    | 285                 | 234                        | 4,761               | 5,090             |
| Newsletter                                       |                             |                     |                              |                          |                    |                    | 2,946               |                            | 2,946               | 4,326             |
| <b>Total expense before allocation</b>           | <b>5,385,363</b>            | <b>4,958,312</b>    | <b>437,960</b>               | <b>229,981</b>           | <b>132,826</b>     | <b>83,571</b>      | <b>467,914</b>      | <b>391,031</b>             | <b>12,086,958</b>   | <b>11,861,800</b> |
| Overhead allocation                              | 16,217                      | 262,109             | 8                            | 13,655                   | 6,642              | 5,148              | 28,826              | (332,605)                  | -                   | -                 |
| <b>Total expense</b>                             | <b>5,401,580</b>            | <b>5,220,421</b>    | <b>437,968</b>               | <b>243,636</b>           | <b>139,468</b>     | <b>88,719</b>      | <b>496,740</b>      | <b>58,426</b>              | <b>12,086,958</b>   | <b>11,861,800</b> |
| <b>Change in net assets</b>                      | <b>\$ (100,794)</b>         | <b>\$ (281,146)</b> | <b>\$ (89,469)</b>           | <b>\$ (69,583)</b>       | <b>\$ (40,072)</b> | <b>\$ (65,339)</b> | <b>\$ (212,668)</b> | <b>\$ 591,122</b>          | <b>\$ (267,949)</b> | <b>\$ 152,598</b> |

See notes to the consolidated financial statements.

# Interfaith Works, Inc. & Affiliate

## Consolidated Statements of Cash Flows

| <b>Year Ended June 30,</b>   | <b>2015</b>       | <b>2014</b>       |
|--|-------------------|-------------------|
| <b>Cash flows from operating activities</b>  |                   |                   |
| Change in net assets   | \$ (267,949)      | \$ 152,598        |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                   |                   |
| Net gain on investments  | (6)               | (31,214)          |
| Bad debt   | 9,100             | 8,615             |
| Depreciation and amortization  | 170,571           | 170,828           |
| Donated property and equipment   | (10,500)          | -                 |
| Gain on sale of property and equipment   | (1,200)           | -                 |
| Notes forgiven   | (4,848)           | (175,000)         |
| Changes in assets and liabilities  |                   |                   |
| Receivables  | 137,117           | (206,374)         |
| Prepaid expenses and other assets  | 7,788             | 5,539             |
| Accounts payable and accrued expenses  | (9,353)           | 58,025            |
| <b>Total adjustments</b>   | <b>298,669</b>    | <b>(169,581)</b>  |
| <b>Net cash provided by (used in) operating activities</b>   | <b>30,720</b>     | <b>(16,983)</b>   |
| <b>Cash flows from investing activities</b>  |                   |                   |
| Purchases of investments   | (11,467)          | (6,037)           |
| Proceeds from sale of property and equipment   | 1,200             | -                 |
| Purchases of property and equipment  | (42,753)          | (31,882)          |
| <b>Net cash used in investing activities</b>   | <b>(53,020)</b>   | <b>(37,919)</b>   |
| <b>Cash flows from financing activities</b>  |                   |                   |
| Borrowings on lines-of-credit  | 155,000           | 220,000           |
| Payments on lines-of-credit  | (155,000)         | (220,000)         |
| Principal payments on notes payable  | (37,775)          | (35,648)          |
| <b>Net cash used in financing activities</b>   | <b>(37,775)</b>   | <b>(35,648)</b>   |
| <b>Net decrease in cash and cash equivalents</b>   | <b>(60,075)</b>   | <b>(90,550)</b>   |
| Cash and cash equivalents, beginning of year   | 684,449           | 774,999           |
| <b>Cash and cash equivalents, end of year</b>  | <b>\$ 624,374</b> | <b>\$ 684,449</b> |
| <b>Supplemental disclosures of cash flow information</b>   |                   |                   |
| Donated stock liquidated to cash   | \$ 487            | \$ 108,578        |
| Donated property and equipment   | \$ 10,500         | \$ -              |
| Cash paid during the year for interest   | \$ 41,797         | \$ 46,400         |

See notes to the consolidated financial statements.



# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Interfaith Works, Inc. (IW), a non-profit corporation, was established in 1972 and incorporated in 1978 under the laws of the State of Maryland. 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 our neighbors in need and provide supportive services with the goal of helping them achieve self-sufficiency. IW is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation under Section 509(a)(1).

The Interfaith Housing Coalition, Inc. (IHC) is a non-profit organization founded in 1987 under the laws of the State of Maryland. IHC provides permanent, supportive housing to formerly homeless families in 26 housing units scattered throughout the County. IHC is exempt from the payment of income taxes on its exempt purpose activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation under Section 509(a)(1).

Principles of consolidation: The consolidated financial statements include the accounts of IW and IHC (the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting. Consequently, revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Use of estimates: Preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents: The Organization considers demand deposits and money market accounts to be cash and cash equivalents.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated purpose restriction is accomplished or when a time restriction expires), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in the appropriate restricted net asset class. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as increases in temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Program income: Program income consists of rental payments and other fees for services provided to clients. Payments are recorded as revenue in the period earned or as services are performed.

## Notes to the Consolidated Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Costs of direct benefits to donors: IW conducts special events in which a portion of the gross proceeds represents both a contribution and a payment for the direct benefits received by the participant at the event. Typically, direct benefits to donors relates to the cost of meals and entertainment provided at special events.

Program services: Program services descriptions are as follows:

*Interfaith Clothing Centers:* Interfaith Clothing Centers give away clothing and household goods, provide new infant supplies to expectant parents, offer books to children, and distribute school supplies for low-income families.

*Homeless Services:* Wilkins Avenue Women's Assessment Center provides shelter and supportive services to approximately 250 women experiencing homelessness. Together, with a case manager, residents work to address barriers to housing, receiving access to mental health services, treatment for addictions, and vocational counseling annually.

Horizon Houses is a permanent supportive housing program annually serving approximately 25-30 women and men, who are disabled and experiencing homelessness. They reside in five shared group homes and, with the support of a case manager, work toward maximum independence and self-sufficiency.

Carroll House Men's Transitional Shelter annually serves approximately 60 men experiencing homelessness, by providing case management and vocational counseling to address barriers to housing and providing access to resources in the community.

Becky's House annually provides supportive housing for 8-10 older adult women, who are disabled, experiencing homelessness, and cannot live independently. Staff provide twenty-four hour support, including medication monitoring and coordination of care.

Watkins Mill is a transitional housing program that annually serves approximately 10-15 women, who are experiencing homelessness and have a mental illness, and can eventually become self-sufficient.

Interfaith Homes is a permanent supportive housing program using the Housing First approach to provide housing for 31 chronically homeless or vulnerable women and men annually. They reside in 31 scattered-site units and, with case-worker support, work to stabilize and maintain housing.

Community Vision provides services for approximately 70 to 100 homeless adults on a daily basis. Clients can access mental health services; treatment for addictions; resource referral; life skills development; vocational counseling and employment training, meals, laundry, and showers. Community Vision also provides seasonal night shelter for hypothermia and hyperthermia, serving approximately 370 homeless adults annually.

## Notes to the Consolidated Financial Statements

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### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

*Interfaith Housing Coalition:* The Interfaith Housing Coalition, Inc. (IHC) purchases and maintains homes to be used as permanent supportive housing for qualified low-income individuals and families. IHC provides intensive case management to tenants who receive employment counseling, life skills education and the opportunity to work with a team of mentors. Thus, tenants have resources for self-sufficiency allowing them to move forward to greater independence.

*Congregation & Community Emergency Support:* The Congregation & Community Emergency Support (CCES) function provides resources and technical assistance to IW congregations and non-profit agencies; administers grants to prevent evictions/foreclosures and utility cut-offs; buys medicine and food; leverages funds to address unmet needs; ensures equal access to emergency services; and assesses community needs.

*Friends in Action:* The Friends in Action function links low-income families with volunteer mentoring teams. Mentors provide supportive services, such as tutoring, job coaching, parenting skills training, and legal advice; thus, providing a comprehensive approach to erasing poverty.

*Hand to Hand:* The Hand to Hand function prevents homelessness by providing loans to low-income working families and individuals who are in imminent danger of being evicted.

*Education and Advocacy:* The Education and Advocacy function was a prior year activity that helped communities work together toward a common vision of social justice by educating and developing congregation and stakeholder participation in the policy-making process.

Supporting services: Supporting services descriptions are as follows:

*Development:* The development function supports efforts to grow current and new revenue sources. IW holds several fund-raising events throughout the year.

*General and Administrative:* The general and administrative function supports the administrative areas of the Organization.

Allocation of expense: The costs of providing various program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Measure of operations: The Organization excludes loans forgiven from the change in net assets from operations.

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets. In particular, the following prior year amounts were reclassified:

|                                       | Previously<br>Reported | 2014<br>Reclassification | Currently<br>Reported |
|---------------------------------------|------------------------|--------------------------|-----------------------|
| Assets                                |                        |                          |                       |
| Receivables                           | \$ -                   | \$ (499,151)             | \$ 499,151            |
| Accounts receivable                   | 439,905                | 439,905                  | -                     |
| Promises to give                      | 59,246                 | 59,246                   | -                     |
| Liabilities                           |                        |                          |                       |
| Accounts payable and accrued expenses | 354,107                | (7,752)                  | 361,859               |
| Tenant security deposits              | 7,752                  | 7,752                    | -                     |
| Unrestricted activities               |                        |                          |                       |
| Contributions                         | 681,556                | 6,894                    | 674,662               |
| Special events                        | 122,181                | (6,894)                  | 129,075               |

Subsequent events: Subsequent events have been evaluated through October 16, 2015, which is the date the consolidated financial statements were available to be issued.

### B. CONCENTRATIONS

Credit risk: The Organization maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Organization.

Market value risk: The Organization also invests in a professionally managed portfolio of mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the consolidated financial statements.

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### C. INVESTMENTS

In accordance with generally accepted accounting principles, the Organization uses the following prioritized input levels to measure fair value of investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments have been designated for the Organization's board-designated endowment. Investments consisted of mutual funds, which include exchange traded funds. Mutual funds were valued based on quoted prices in active markets for identical assets. Therefore, Level 1 inputs were used to determine the fair value, measured on a recurring basis, of the following investments at June 30,:

|                      | 2015              | 2014              |
|----------------------|-------------------|-------------------|
| Mutual funds         |                   |                   |
| Fixed income         | \$ 153,669        | \$ 125,837        |
| Domestic equity      | 121,162           | 136,465           |
| International equity | 25,406            | 26,462            |
|                      | <u>\$ 300,237</u> | <u>\$ 288,764</u> |

Investment income consisted of the following for the years ended June 30,:

|                         | 2015            | 2014             |
|-------------------------|-----------------|------------------|
| Interest and dividends  | \$ 9,953        | \$ 6,400         |
| Net gain on investments | 6               | 31,214           |
|                         | <u>\$ 9,959</u> | <u>\$ 37,614</u> |

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

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### D. RECEIVABLES

Receivables primarily consisted of amounts due in relation services provided under contract with Montgomery County. Receivables also included unconditional promises to give, a significant portion of which is expected to be received in less than one year. Therefore, promises to give approximate net realizable value.

Receivable are presented at the gross amount due to the Organization with no allowance for doubtful receivables. Management periodically reviews the status of all receivables for collectability. Each balance is assessed based on management's knowledge of the amount due and the age of the balance. As a result of these reviews, balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts had been recorded. Bad debt expense totaled \$9,100 and \$8,615 for the years ended June 30, 2015 and 2014, respectively.

Receivables consisted of the following at June 30,:

|                      | <b>2015</b>       | <b>2014</b>       |
|----------------------|-------------------|-------------------|
| Contracts receivable | \$ 318,324        | \$ 438,182        |
| Promises to give     | 23,876            | 59,246            |
| Other receivables    | 10,734            | 1,723             |
|                      | <u>\$ 352,934</u> | <u>\$ 499,151</u> |

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### E. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than \$1,000 are recorded at cost, and depreciated using the straight-line method over estimated useful lives (buildings – 10 to 27.5 years; building improvements – 10 to 20 years; and furniture, equipment, and vehicles – 3 to 10 years). Leasehold improvements are amortized using the straight-line basis over the remaining term of the lease.

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

|  | 2015                       | 2014                       |
|--|----------------------------|----------------------------|
| Land   | \$ 666,092                 | \$ 666,092                 |
| Building and improvements                      | 1,724,692                  | 1,700,948                  |
| Leasehold improvements                         | 474,548                    | 474,548                    |
| Furniture and equipment                        | 514,072                    | 495,066                    |
| Vehicles                                       | 60,396                     | 66,234                     |
|  | <u>3,439,800</u>           | <u>3,402,888</u>           |
| Less accumulated depreciation and amortization | <u>(1,881,744)</u>         | <u>(1,727,514)</u>         |
|  | <u><b>\$ 1,558,056</b></u> | <u><b>\$ 1,675,374</b></u> |

Donated facilities: Montgomery County has donated the use of the Sophia House to the Organization in conjunction with the Homeless Services program. In order to use the facility, the Organization is responsible for maintaining the property. The value of the free use of the Sophia House has been recorded as donated facilities revenue and expense.

### F. TENANT LEASES

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 \$258,305 and \$283,258 for the years ended June 30, 2015 and 2014, respectively.

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 \$8,617 and \$7,752 at June 30, 2015 and 2014, respectively. The liability for tenant security deposits has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### G. FORGIVABLE NOTES 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's forgivable notes payable 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.

The Organization had one forgivable note payable totaling \$588,470 at June 30, 2015. The forgivable note payable is eligible to be forgiven during the year ending June 30, 2038.

Notes forgiven: Forgivable notes payable totaling \$4,848 and \$175,000 met the conditions of debt forgiveness due to the passage of time during the years ended June 30, 2015 and 2014, respectively. Therefore, notes forgiven totaling \$4,848 and \$175,000 were recognized as unrestricted revenue during the years ended June 30, 2015 and 2014, respectively.

### H. NOTES PAYABLE

The Organization has financed the acquisition of various housing properties or building improvements through several notes payable 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 notes payable are collateralized by the related housing properties. The mortgage notes payable have no restrictive debt covenants, have various interest rates and maturities, and consisted of the following, grouped by interest rate, at June 30, 2015:

| <u>Type of Note</u> | <u>Rate</u> | <u>Maturity</u> | <u>Principal</u>  |
|---------------------|-------------|-----------------|-------------------|
| Mortgage            | 1.00%       | 2041            | \$ 63,666         |
| Mortgage            | 3.00%       | 2026            | 5,440             |
| Mortgages (2)       | 4.00%       | 2026            | 46,512            |
| Mortgage            | 4.25%       | 2026            | 90,163            |
| Mortgage            | 4.61%       | 2023            | 397,241           |
| Mortgage            | 5.25%       | 2019            | 293,861           |
|                     |             |                 | <u>\$ 896,883</u> |

Forgivable note payable: The mortgage with a maturity in 2041 and an interest rate of 1.00% which has a balance of \$63,666 at June 30, 2015 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.

Loan guarantee: One of IW's mortgages was guaranteed by IHC and the carrying value of the note payable guaranteed by IHC was \$397,241 at June 30, 2015.

Lines-of-credit: The Organization also has two lines-of-credit with a commercial bank and the total available for draw down under the lines-of-credit is \$675,000. The lines-of-credit are secured by various properties owned by the Organization. A total of \$155,000 and \$220,000 was drawn on the lines-of-credit and subsequently repaid during the years ended June 30, 2015 and 2014, respectively. Therefore, no balance is due at June 30, 2015 and 2014.



# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### H. NOTES PAYABLE – CONTINUED

Future maturities of principal under the notes payable are as follows at June 30, 2015:

| Year Ending June 30, | Amount            |
|----------------------|-------------------|
| 2016                 | \$ 41,400         |
| 2017                 | 43,390            |
| 2018                 | 45,431            |
| 2019                 | 277,478           |
| 2020                 | 31,920            |
| Thereafter           | 457,264           |
|                      | <b>\$ 896,883</b> |

### I. NET ASSETS

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Undesignated net assets are used for the general operations of the Organization.

Designated net assets include those net assets whose use by the Organization has been designated by resolution of the Board of Directors.

Unrestricted net assets consisted of the following at June 30,:

|                                | 2015              | 2014                |
|--------------------------------|-------------------|---------------------|
| Undesignated                   | \$ 573,554        | \$ 848,151          |
| Designated                     |                   |                     |
| Board-designated for endowment | 301,028           | 291,492             |
| Board reserve                  | 90,605            | 90,605              |
| Education and Advocacy         |                   |                     |
| McGregor Fund                  | 20,551            | 20,551              |
| Advocacy Fund (Dring)          | 2,023             | 2,023               |
| Subtotal designated            | 414,207           | 404,671             |
|                                | <b>\$ 987,761</b> | <b>\$ 1,252,822</b> |

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### I. NET ASSETS – CONTINUED

*Temporarily restricted:* Temporarily restricted net assets include those net assets whose use by the Organization has been donor restricted by specified purpose or time limitations.

Temporarily restricted net assets consisted of the following at June 30,:

|  | 2015             | 2014             |
|--|------------------|------------------|
| Program restrictions                       |                  |                  |
| Homeless Services                          | \$ 29,126        | \$ 8,800         |
| Interfaith Clothing Centers                | 17,500           | 24,500           |
| Education and Advocacy                     | 13,176           | 13,176           |
| Congregation & Community Emergency Support | -                | 9,000            |
| Friends in Action                          | -                | 5,000            |
|  | 59,802           | 60,476           |
| Time restrictions                          |                  |                  |
| Development                                | 15,754           | -                |
| Computers and software                     | 7,696            | 16,564           |
| Promises to give - for future use          | 3,500            | 12,600           |
|  | 26,950           | 29,164           |
|  | <b>\$ 86,752</b> | <b>\$ 89,640</b> |

Net assets were released from restrictions either by incurring expenses satisfying the donor's restricted purpose or by the passage of time which allowed for the expiration of time restrictions.

Net assets released from restrictions consisted of the following for the years ended June 30,:

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| Satisfaction of program restrictions       |                   |                   |
| Homeless Services                          | \$ 142,196        | \$ 66,429         |
| Congregation & Community Emergency Support | 92,156            | 145,252           |
| Interfaith Housing Coalition               | 83,987            | 64,533            |
| Interfaith Clothing Centers                | 49,578            | 57,451            |
| Friends in Action                          | 28,715            | 18,868            |
| Hand to Hand                               | 8,332             | 6,976             |
| Education and Advocacy                     | -                 | 1,500             |
| Subtotal program restrictions              | 404,964           | 361,009           |
| Expiration of time restrictions            |                   |                   |
| Development                                | 54,246            | -                 |
| Computers, software, and vehicle           | 9,393             | 8,868             |
| Promises to give - for future use          | 9,100             | 14,215            |
| Subtotal time restrictions                 | 72,739            | 23,083            |
|  | <b>\$ 477,703</b> | <b>\$ 384,092</b> |

Notes to the Consolidated Financial Statements

J. ENDOWMENT

The Organization's endowment consists of a fund designated by the Board of Directors to function as an endowment, which is classified as a designated fund within unrestricted net assets.

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As part of the Organization's continuing diversification and risk management strategy, a portion of endowment funds are invested in cash, fixed income securities, and equity securities. The investment portfolio is intended to produce returns higher than inflation. As a result, a fair amount of risk is deemed acceptable.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places more emphasis on equity securities to achieve its long-term return objectives.

*Spending Policy and How Investment Objectives Relate to Spending Policy*

The Organization's spending policy allows appropriation of the annual income upon approval of the Board. In establishing this policy, the Organization considered the long-term expected return on its endowment. The spending policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets.

Changes in the endowment fund consisted of the following for the years ended June 30,:

|                              | <b>2015</b>              | <b>2014</b>              |
|------------------------------|--------------------------|--------------------------|
| Endowment, beginning of year | \$ 291,492               | \$ 254,241               |
| Investment return            |                          |                          |
| Net gain on investments      | 6                        | 31,214                   |
| Interest and dividends       | 9,530                    | 6,037                    |
| Total investment return      | <u>9,536</u>             | <u>37,251</u>            |
| Endowment, end of year       | <u><b>\$ 301,028</b></u> | <u><b>\$ 291,492</b></u> |

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### K. DONATED GOODS, FACILITIES, AND SERVICES

Recorded amounts: Donated goods, facilities, and services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America.

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 recorded in the consolidated statement of activities consisted of the following for the year ended June 30, 2015:

|                              | <b>Goods</b>        | <b>Facilities</b> | <b>Services</b>  | <b>Total</b>        |
|------------------------------|---------------------|-------------------|------------------|---------------------|
| Interfaith Clothing Centers  | \$ 5,035,800        | \$ 86,325         | \$ -             | \$ 5,122,125        |
| Homeless Services            | 316,297             | 380,982           | 6,410            | 703,689             |
| General and administrative   | 10,531              |                   | 47,850           | 58,381              |
| Friends in Action            | 25,005              |                   |                  | 25,005              |
| Congregation & Community     |                     |                   |                  |                     |
| Emergency Support            | 695                 |                   | 7,632            | 8,327               |
| Interfaith Housing Coalition | 500                 |                   | 1,610            | 2,110               |
|                              | <b>\$ 5,388,828</b> | <b>\$ 467,307</b> | <b>\$ 63,502</b> | <b>\$ 5,919,637</b> |

Donated goods, facilities, and services recorded in the consolidated statement of activities consisted of the following for the year ended June 30, 2014:

|                              | <b>Goods</b>        | <b>Facilities</b> | <b>Services</b>   | <b>Total</b>        |
|------------------------------|---------------------|-------------------|-------------------|---------------------|
| Interfaith Clothing Centers  | \$ 5,163,872        | \$ 86,325         | \$ -              | \$ 5,250,197        |
| Homeless Services            | 199,175             | 380,982           | 3,750             | 583,907             |
| General and administrative   | 8,416               |                   | 106,385           | 114,801             |
| Friends in Action            | 25,460              |                   |                   | 25,460              |
| Congregation & Community     |                     |                   |                   |                     |
| Emergency Support            |                     |                   | 1,798             | 1,798               |
| Interfaith Housing Coalition | 650                 |                   |                   | 650                 |
|                              | <b>\$ 5,397,573</b> | <b>\$ 467,307</b> | <b>\$ 111,933</b> | <b>\$ 5,976,813</b> |

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### K. DONATED GOODS, FACILITIES, AND SERVICES – CONTINUED

*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.

Management has estimated the value of these unrecorded donated services as follows for the years ended June 30,:

|  | 2015                | 2014                |
|--|---------------------|---------------------|
| Homeless Services                          | \$ 914,578          | \$ 649,965          |
| Congregation & Community Emergency Support | 566,204             | 73,391              |
| Interfaith Clothing Centers                | 411,864             | 558,595             |
| General and administrative                 | 83,686              | 55,418              |
| Friends in Action                          | 23,769              | 70,950              |
| Interfaith Housing Coalition               | -                   | 2,441               |
|  | <u>\$ 2,000,101</u> | <u>\$ 1,410,760</u> |

### L. RETIREMENT PLAN

The Organization has a defined contribution 403(b) salary deferral and savings incentive plan, which covers all eligible employees who meet age and length of service requirements. Under the plan, the Organization may make employer discretionary contributions. The Organization provides a matching contribution equal to 1% of participant compensation and may provide an additional discretionary contribution. The Organization's contributions under the plan totaled \$32,386 and \$22,874 for the years ended June 30, 2015 and 2014, respectively.

# Interfaith Works, Inc. & Affiliate

## Notes to the Consolidated Financial Statements

### M. COMMITMENTS AND CONTINGENCIES

Administrative operating leases: The Organization has an operating lease for its 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 within the accompanying consolidated statements of functional revenue and expense and totaled \$48,275 and \$46,572 for the years ended June 30, 2015 and 2014, respectively.

The Organization also has an operating lease for copier equipment which expires December 2018. The rent expense related to the copier equipment is reported in printing and production within the accompanying consolidated statements of functional revenue and expense and totaled \$20,049 and \$16,926 for the years ended June 30, 2015 and 2014, respectively.

Homeless Services operating leases: The Organization also 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 except for two residential leases located at Shea Lane and Grandin Avenue which will expire in August 2016 and August 2017, respectively. The rent expense related to all of the Homeless Services leases is reported within client support in the consolidated statements of functional revenue and expense and totaled \$511,984 and \$351,141 for the years ended June 30, 2015 and 2014, respectively.

A summary of the future minimum lease payments related to the aforementioned long-term operating leases is as follows at June 30, 2015:

| Year Ending June 30, | Amount            |
|----------------------|-------------------|
| 2016                 | \$ 75,420         |
| 2017                 | 49,470            |
| 2018                 | 19,280            |
| 2019                 | <u>7,140</u>      |
|                      | <u>\$ 151,310</u> |

Program audits: 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.

Federal awards: The Organization participates in a number of federally assisted grant programs which 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.

Security deposits: As stipulated in certain tenant lease agreements and by state law, the Organization must meet certain requirements in maintaining security deposits received from tenants. If the Organization is found to be non-compliant with the requirements, it could be liable for up to three times the amount of the original security deposit, plus reasonable attorney's fees.

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
Interfaith Works, Inc. & Affiliate

We have audited the consolidated financial statements of Interfaith Works, Inc. & Affiliate (the Organization) as of and for the year ended June 30, 2015, and our report thereon dated October 16, 2015, which contained an unmodified opinion on those consolidated financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on the following pages is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. In particular, the consolidating financial statements are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, or cash flows of the individual companies. The supplementary 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 supplementary 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 supplementary information on the following pages is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Washington, DC  
October 16, 2015

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# Interfaith Works, Inc. & Affiliate

## Consolidating Statement of Financial Position

*June 30, 2015*

|   | IW                  | IHC                 | Eliminations        | Consolidated        |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |                     |                     |
| Cash and cash equivalents               | \$ 556,809          | \$ 67,565           | \$ -                | \$ 624,374          |
| Investments                             | 300,237             |                     |                     | 300,237             |
| Receivables                             | 346,799             | 6,135               |                     | 352,934             |
| Due from affiliate                      |                     | 156,957             | (156,957)           | -                   |
| Loan guarantee from IHC                 | 397,241             |                     | (397,241)           | -                   |
| Prepaid expenses and other assets       | 50,345              | 26,426              |                     | 76,771              |
| Property and equipment                  | 581,976             | 976,080             |                     | 1,558,056           |
| <b>Total assets</b>                     | <b>\$ 2,233,407</b> | <b>\$ 1,233,163</b> | <b>\$ (554,198)</b> | <b>\$ 2,912,372</b> |
| <b>Liabilities and net assets</b>       |                     |                     |                     |                     |
| <b>Liabilities</b>                      |                     |                     |                     |                     |
| Accounts payable and accrued expenses   | \$ 329,549          | \$ 22,957           | \$ -                | \$ 352,506          |
| Due to affiliate                        | 156,957             |                     | (156,957)           | -                   |
| Loan guarantee to IW                    |                     | 397,241             | (397,241)           | -                   |
| Forgivable notes payable                | 588,470             |                     |                     | 588,470             |
| Notes payable                           | 397,241             | 499,642             |                     | 896,883             |
| <b>Total liabilities</b>                | <b>1,472,217</b>    | <b>919,840</b>      | <b>(554,198)</b>    | <b>1,837,859</b>    |
| <b>Net assets</b>                       |                     |                     |                     |                     |
| Unrestricted                            | 674,438             | 313,323             |                     | 987,761             |
| Temporarily restricted                  | 86,752              |                     |                     | 86,752              |
| <b>Total net assets</b>                 | <b>761,190</b>      | <b>313,323</b>      | <b>-</b>            | <b>1,074,513</b>    |
| <b>Total liabilities and net assets</b> | <b>\$ 2,233,407</b> | <b>\$ 1,233,163</b> | <b>\$ (554,198)</b> | <b>\$ 2,912,372</b> |



# Interfaith Works, Inc. & Affiliate

## Consolidating Statement of Activities

Year Ended June 30, 2015

|   | IW           | IHC        | Eliminations | Consolidated |
|---|--------------|------------|--------------|--------------|
| <b>Unrestricted activities</b>                    |              |            |              |              |
| Revenue and support                               |              |            |              |              |
| Donated goods, facilities, and services           | \$ 5,917,527 | \$ 2,110   | \$ -         | \$ 5,919,637 |
| Federal, state, and county contracts              | 4,188,009    | 21,792     | (21,792)     | 4,188,009    |
| Contributions                                     | 647,058      |            | (18,921)     | 628,137      |
| Rental income                                     |              | 258,305    |              | 258,305      |
| Program income                                    | 227,193      |            |              | 227,193      |
| Investment income                                 | 5,862        | 4,097      |              | 9,959        |
|   | 10,985,649   | 286,304    | (40,713)     | 11,231,240   |
| Special events                                    | 119,130      |            |              | 119,130      |
| Less costs of direct benefits to donors           | (11,024)     |            |              | (11,024)     |
|   | 108,106      | -          | -            | 108,106      |
| Net assets released from restriction              | 393,716      | 83,987     |              | 477,703      |
| Total support and revenue                         | 11,487,471   | 370,291    | (40,713)     | 11,817,049   |
| Expense   |              |            |              |              |
| Program services                                  |              |            |              |              |
| Interfaith Clothing Centers                       | 5,401,580    |            |              | 5,401,580    |
| Homeless Services                                 | 5,220,421    |            |              | 5,220,421    |
| Interfaith Housing Coalition                      | 41,054       | 415,835    | (18,921)     | 437,968      |
| Congregation & Community Emergency Support        | 243,636      |            |              | 243,636      |
| Friends in Action                                 | 139,468      |            |              | 139,468      |
| Hand to Hand                                      | 88,719       |            |              | 88,719       |
| Total program services                            | 11,134,878   | 415,835    | (18,921)     | 11,531,792   |
| Supporting services                               |              |            |              |              |
| Development                                       | 496,740      |            |              | 496,740      |
| General and administrative                        | 39,295       | 40,923     | (21,792)     | 58,426       |
| Total supporting services                         | 536,035      | 40,923     | (21,792)     | 555,166      |
| Total expense                                     | 11,670,913   | 456,758    | (40,713)     | 12,086,958   |
| Change in unrestricted net assets from operations | (183,442)    | (86,467)   | -            | (269,909)    |
| Notes forgiven                                    | 4,848        |            |              | 4,848        |
| Change in unrestricted net assets                 | (178,594)    | (86,467)   | -            | (265,061)    |
| <b>Temporarily restricted activities</b>          |              |            |              |              |
| Contributions                                     | 390,828      | 83,987     |              | 474,815      |
| Net assets released from restriction              | (393,716)    | (83,987)   |              | (477,703)    |
| Change in temporarily restricted net assets       | (2,888)      | -          | -            | (2,888)      |
| <b>Change in net assets</b>                       | (181,482)    | (86,467)   | -            | (267,949)    |
| Net assets, July 1, 2014                          | 942,672      | 399,790    | -            | 1,342,462    |
| <b>Net assets, June 30, 2015</b>                  | \$ 761,190   | \$ 313,323 | \$ -         | \$ 1,074,513 |

# Interfaith Works, Inc. & Affiliate

## Consolidated Statement of Expense, Net of In-Kind Year Ended June 30, 2015 with 2014 Totals

|  | 2015                 |                       |                           | 2014                      |
|--|----------------------|-----------------------|---------------------------|---------------------------|
|  | Expense              | In-Kind               | Expense Net<br>of In-Kind | Expense Net<br>of In-Kind |
| Program services                           |                      |                       |                           |                           |
| Interfaith Clothing Centers                | \$ 5,401,580         | \$ (5,122,125)        | <b>\$ 279,455</b>         | \$ 305,431                |
| Homeless Services                          | 5,220,421            | (703,689)             | <b>4,516,732</b>          | 4,261,627                 |
| Interfaith Housing Coalition               | 437,968              | (2,110)               | <b>435,858</b>            | 392,400                   |
| Congregation & Community Emergency Support | 243,636              | (8,327)               | <b>235,309</b>            | 254,363                   |
| Friends in Action                          | 139,468              | (25,005)              | <b>114,463</b>            | 124,592                   |
| Hand to Hand                               | 88,719               |                       | <b>88,719</b>             | 95,496                    |
| Education and Advocacy                     |                      |                       | -                         | 1,925                     |
| Total program services                     | 11,531,792           | (5,861,256)           | <b>5,670,536</b>          | 5,435,834                 |
| Supporting services                        |                      |                       |                           |                           |
| Development                                | 496,740              |                       | <b>496,740</b>            | 438,603                   |
| General and administrative                 | 58,426               | (58,381)              | <b>45</b>                 | 10,550                    |
| Total supporting services                  | 555,166              | (58,381)              | <b>496,785</b>            | 449,153                   |
| Total expense                              | <b>\$ 12,086,958</b> | <b>\$ (5,919,637)</b> | <b>\$ 6,167,321</b>       | <b>\$ 5,884,987</b>       |