

INTERFAITH FAMILY SERVICES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2018

INTERFAITH FAMILY SERVICES

SEPTEMBER 30, 2018

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LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report

Board of Directors
Interfaith Family Services

We have audited the accompanying consolidated financial statements of Interfaith Family Services (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses 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. Those standards require that we plan and perform the audits 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 financial position of Interfaith Family Services as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dallas, Texas
February 28, 2019

Interfaith Family Services
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,058,811
Cash and cash equivalents - temporarily restricted		17,500
Cash and cash equivalents - restricted for residents		39,251
Cash and cash equivalents - restricted for construction		7,390,974
Pledges receivables - unrestricted - net		189,327
Pledges receivables - temporarily restricted for capital campaign		384,334
Interest receivable		21,812
Other assets		4,177
Prepaid expenses		57,346
Total current assets		9,163,532

PLEDGES RECEIVABLES - TEMPORARILY RESTRICTED
FOR CAPITAL CAMPAIGN - NET

47,604

NOTE RECEIVABLE

6,471,200

LOAN ORIGINATION FEES - NET

43,069

PROPERTY, PLANT AND EQUIPMENT - NET

6,442,946

TOTAL ASSETS

\$ 22,168,351

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	5,515
Accrued expenses		1,800,869
Deferred revenue - residency fees		28,533
Due to residents		10,718
Total current liabilities		1,845,635

NOTE PAYABLE - NONCURRENT

10,372,606

NET ASSETS

Unrestricted net assets		
Board designated		600,000
Undesignated		8,900,672
Total unrestricted net assets		9,500,672
Temporarily restricted		449,438
Total net assets		9,950,110

TOTAL LIABILITIES AND NET ASSETS

\$ 22,168,351

The accompanying notes are an integral part of these consolidated financial statements.

Interfaith Family Services
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions and Grants	\$ 1,015,846	\$ 1,953,332	\$ 2,969,178
Residency fees	554	-	554
Special event income	339,451	-	339,451
Less: direct expense	<u>(125,249)</u>	<u>-</u>	<u>(125,249)</u>
Net special event income	214,202	-	214,202
Donated goods and services	238,607	-	238,607
Interest and dividends	58,578	-	58,578
Net loss on sale/disposal of assets	(497,867)	-	(497,867)
Other	15,117	-	15,117
Net assets released from restriction	<u>4,754,673</u>	<u>(4,754,673)</u>	<u>-</u>
Total revenue	<u>5,799,710</u>	<u>(2,801,341)</u>	<u>2,998,369</u>
EXPENSES			
Program services	1,495,134	-	1,495,134
Supporting services			
Management and general	364,761	-	364,761
Fundraising	<u>208,674</u>	<u>-</u>	<u>208,674</u>
Total expenses	<u>2,068,569</u>	<u>-</u>	<u>2,068,569</u>
CHANGES IN NET ASSETS	3,731,141	(2,801,341)	929,800
NET ASSETS, at beginning of year	<u>5,769,531</u>	<u>3,250,779</u>	<u>9,020,310</u>
NET ASSETS, at end of year	<u>\$ 9,500,672</u>	<u>\$ 449,438</u>	<u>\$ 9,950,110</u>

The accompanying notes are an integral part of these consolidated financial statements.

Interfaith Family Services
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

Cash flows from operating activities	\$	929,800
Changes in net assets		
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization		109,481
Net loss on sale/disposal of assets		497,867
Non-cash contribution of property, plant and equipment		(96,260)
Contributions restricted for capital campaign		3,177,812
Bad debt		6,500
Discount on pledges receivable		2,396
Changes in operating assets and liabilities, net		
Pledges receivable		(48,357)
Interest receivable		(21,812)
Prepaid expenses		(27,591)
Other assets		300
Accounts payable		(16,105)
Accrued expenses		1,739,742
Deferred revenue - residency fees		(16,710)
Due to residents		(3,453)
Net cash provided by operating activities		<u>6,233,610</u>
Cash flows from investing activities		
Acquisition of property, plant and equipment		(3,663,959)
Proceeds from sale of property, plant and equipment		(4,950)
Issuance of notes receivable		(6,471,200)
Net change in restricted cash		1,554,987
Net change in restricted cash for construction		(7,390,974)
Net change in amounts due to residents for savings deposits		20,163
Net cash used in investing activities		<u>(15,955,933)</u>
Cash flows from financing activities		
Proceeds from issuance of notes payable		10,380,000
Payments on notes payable		(7,394)
Cash paid for loan origination fees		(44,990)
Collections of contributions for long-term purposes:		
Capital campaign		(1,943,229)
Net cash provided by financing activities		<u>8,384,387</u>
 INCREASE IN CASH AND CASH EQUIVALENTS		 (1,337,936)
CASH AND CASH EQUIVALENTS, beginning of year		<u>2,396,747</u>
CASH AND CASH EQUIVALENTS, end of year	\$	<u><u>1,058,811</u></u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	\$	<u>30,327</u>
Non-cash transactions		
Interest expense	\$	<u>132,822</u>
Additions to property, plant and equipment via donated goods and services	\$	<u>96,260</u>
Additions to property, plant and equipment via accrued expenses	\$	<u>1,716,427</u>

The accompanying notes are an integral part of these consolidated financial statements.

Interfaith Family Services
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2018

	Program Services	Supporting Services		Total Supporting Services	Total
		Management and General	Fundraising		
Salaries, benefits, and contract labor	\$ 988,510	\$ 59,299	\$ 107,085	\$ 166,384	\$ 1,154,894
Properties expenses	160,843	8,696	12,511	21,207	182,050
Resident expenses	119,435	-	-	-	119,435
Telephone	3,344	2,744	-	2,744	6,088
Depreciation and amortization	84,891	23,134	1,456	24,590	109,481
Materials and supplies	24,878	7,061	2,715	9,776	34,654
Newsletter and other	381	-	13,599	13,599	13,980
Automotive	8,989	-	-	-	8,989
Professional fees	53,513	37,088	8,989	46,077	99,590
Interest expense	-	163,149	-	163,149	163,149
Office and postage	33,629	13,392	16,891	30,283	63,912
Rent expense	-	3,249	-	3,249	3,249
Other	16,721	46,949	45,428	92,377	109,098
	<u>\$ 1,495,134</u>	<u>\$ 364,761</u>	<u>\$ 208,674</u>	<u>\$ 573,435</u>	<u>\$ 2,068,569</u>

The accompanying notes are an integral part of these consolidated financial statements.

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Interfaith Family Services (the “Organization”) is a non-profit organization serving families in the Dallas area. The Organization’s mission is to empower families in crisis to break the cycle of poverty. The Organization exclusively serves working poor families – 90% of whom consist of single mothers with children. The Organization provides many layers of support to bring about systemic, enduring changes to Dallas-area homeless families by teaching, mentoring, and supporting them with a nurturing community as well as accountability based programs and services that strive to assist families in becoming self-sufficient.

Beyond meeting basic food, clothing, and medical needs, the Organization’s services include transitional housing in 49 private apartments, a job search and employment program, budget and financial literacy training, skills for living and parenting classes, counseling, and after school and summer enrichment programs for children and teens.

The Organization receives funding from individuals, corporations, foundations and churches.

Principals of Consolidation

In January 2018, the Organization established two new 501 (c) (3) entities, IFS Hope Center (“Hope”) and IFS Empowerment Center (“Empowerment”). A majority of the directors shall be appointed by the Organization. On January 18, 2018, the Organization’s board approved a resolution to transfer Hope Street and Ross Avenue real property and improvements to the newly formed IFS Empowerment Center. The entities were established for the purpose of entering into a New Market Tax Credit (“NMTC”) transaction.

NMTC is a federal tax credit program created to attract private investment for business and real estate developments in low income neighborhoods. The City of Dallas (the “City”) created the Dallas Development Fund (“DDF”) to apply for a NMTC allocation. On January 10, 2018, the City authorized an approximately \$6 million NMTC transaction with DDF Mike, LLC (“DDF Mike”), the Organization and JPMorgan Chase (NA) (the “Bridge Lender”). Pacesetter CDE, Inc., (“Pacesetter”), a Texas non profit corporation, also authorized a NMTC allocation of \$3.5 million. Loans totaling \$9,380,000, including \$9,280,000 to Empowerment and \$100,000 to Hope, were provided to help fund construction of the Family Empowerment Center and renovation of the Hope Center, collectively the “Project”. As part of the NMTC, the Organization also funded \$6,471,200 to Chase NMTC Interfaith Investment Fund, LLC (“Investment Fund”) as a leveraged lender. The Organization has determined it expects to meet the requirements of a qualified active low-income community business (“QALICB”) throughout the entire period of the qualified low-income community investment. See Note 3 for promissory notes receivable and Note 6 for promissory notes payable. DDF, DDF Mike, Bridge Lender and Pacesetter are not related to the Organization.

The NMTC requires the Organization to separately report the portion of the business (“POB”) and the portion of the Organization’s business that is excluded from the POB which is referred to as (“NonPOB”). The POB consists of operations of Empowerment and Hope and all other activity of the Organization with the exception of the NonPOB activity. The NonPOB consists of operating the three-building apartment complex that is owned by the Organization, the leverage loan, nonqualified financial property and any capital campaign contributions and grants that were received in connection with the development of Empowerment.

The Organization also entered into a premise lease with Empowerment and a sublease with Hope for use of the Project. See Note 10.

All intercompany activity between the Organization, Empowerment and Hope has been eliminated.

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For reporting purposes, resources are classified into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors as reserve funds.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. There were no permanently restricted net assets at September 30, 2018.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits, money market accounts and certificates of deposit up to \$250,000 per depositor, per insured bank for each ownership category. The Organization maintains cash balances in accounts located in Dallas, Texas which at times may exceed federally insured limits. Uninsured balances totaled approximately \$8,280,000 at September 30, 2018.

Pledges Receivable

Pledges receivable consist of unconditional promises to give from various donors. The Organization's management conducts periodic reviews of pledges receivable to determine their collectability and valuation and establishes an allowance for any doubtful accounts.

Fair Value of Financial Instruments

The Organization evaluates the fair value of its financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying values of financial instruments are considered to approximate fair value.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Organization capitalizes expenditures for property, plant and equipment in excess of \$1,000 and with an estimated useful life greater than one year. In-kind assets are recorded at fair value except for equipment and resident apartment furniture. The resident apartment furniture is usually kept by the residents when they move. Depreciation and amortization of property, plant and equipment is computed on a straight-line basis over the estimated useful lives as follows:

	<u>Estimated Useful Lives</u>
Automobiles	5 years
Landscaping	5 years
Furniture, fixtures and equipment	5-10 years
Building and improvements	5-40 years

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Occupancy fees received from residents are deferred. Residents who successfully complete the program receive 100% of the fees returned to them. If a resident does not complete the program, the resident forfeits the fees and the Organization recognizes the fees as revenue.

Retirement Plan

The Organization maintains a qualified cash or deferred compensation plan under Section 403(b) of the Internal Revenue Code that permits employees to make voluntary contributions. The Organization does not contribute to the retirement plan.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Accordingly, actual results could differ from those estimates.

Income Taxes

Interfaith Family Services was formed in November 1984 as a non-profit organization and is recognized as an exempt organization by the Internal Revenue Service under Section 501 (c) (3) of the Internal Revenue Code. The Organization had no material unrelated business income. Accordingly, no provision for income taxes has been provided for in the accompanying consolidated financial statements.

The Organization has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the consolidated financial statements regarding ASC 740, *Income taxes*. The Organization does not have any outstanding interest or penalties, and none have been recorded in the statement of activities and change in net assets for the year ended September 30, 2018. The Organization's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Organization is no longer subject to income tax examinations by tax authorities for years prior to 2015.

2. PLEDGES RECEIVABLE

Included in pledges receivable are amounts that comprise unconditional promises to give due to the Organization at September 30, 2018:

Pledges receivable	\$ 630,161
Less: unamortized discount	(2,396)
Less: allowance for doubtful accounts	(6,500)
	<u>\$ 621,265</u>
Net amounts due in:	
Less than one year	\$ 573,661
One year to five years (less unamortized discount and allowance)	47,604
	<u>\$ 621,265</u>

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. NOTE RECEIVABLE

Note receivable dated May 29, 2018 from Investment Fund in the principal amount of \$6,471,200 to be paid in 28 years with interest at 1%. \$ 6,471,200

Collections of the note receivable is as follows:

September 30, 2019	\$ -
September 30, 2020	-
September 30, 2021	-
September 30, 2022	-
September 30, 2023	-
Thereafter	<u>6,471,200</u>
	<u>\$ 6,471,200</u>

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at September 30, 2018:

Land	\$ 1,391,067
Landscaping	13,815
Building and improvements	1,151,494
Automobiles	108,713
Video production	5,000
Furniture and equipment	69,617
Computer	76,284
Software	6,923
Capitalized NMTC costs	1,214,434
Construction in progress	<u>3,106,040</u>
	7,143,387
Accumulated depreciation	<u>(700,441)</u>
Total	<u>\$ 6,442,946</u>

Depreciation expenses was \$107,560 for the year ended September 30, 2018.

Construction in progress of \$3,106,040 and capitalized NMTC costs of \$1,214,434 are related to the construction of the Organization's Family Empowerment Center, which includes the Adult Education Center and Childcare and Youth Services Center (the "Project"). The Project is estimated to cost approximately \$11,200,000, which includes \$1,200,000 of existing land, and is expected to be completed by June 2019. Included in these costs are construction and project management services. The Organization entered into a construction contract with Scott & Reid General Contractors to be the general contractor for the Project. The costs for services is estimated to be approximately \$7,300,000. Through September 30, 2018, the balance to complete the contract, including retainage, was approximately \$5,400,000. On January 11, 2018, the Organization entered into a contract with CBRE, Inc. for project management services for the Project. The contract will expire on January 15, 2020 and the cost for the services is estimated to be \$140,000. Through September 30, 2018, the balance to complete the contract was approximately \$56,000.

During 2018, the Organization demolished the Ross Avenue apartments, which resulted in approximately \$124,000 loss on disposal of assets.

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. LOAN ORIGINATION FEES

The loan origination fees associated with the note payables listed in Note 6 to the consolidated financial statements consist of the following at September 30, 2018:

Bridge loan origination fees	\$ 39,190
Pacesetter loan origination fees	<u>5,800</u>
	44,990
Accumulated amortization	<u>(1,921)</u>
Total	<u>\$ 43,069</u>

Amortization expenses was \$1,921 for the year ended September 30, 2018.

6. NOTES PAYABLE

Notes payable consist of the following at September 30, 2018:

Note payable dated May 29, 2018 to Bridge Lender in the principal amount of \$1,000,000; to be paid in 84 months with interest at 4%.	\$ 992,606
Note payable dated May 29, 2018 to DDF Mike in the principal amount of \$3,987,600 to be paid in 35 years with interest at 1.178%.	3,987,600
Note payable dated May 29, 2018 to DDF Mike in the principal amount of \$1,892,400 to be paid in 35 years with interest at 1.178%.	1,892,400
Note payable dated May 29, 2018 to Pacesetter in the principal amount of \$2,412,640 to be paid in 35 years with interest at 1.178%.	2,412,640
Note payable dated May 29, 2018 to Pacesetter in the principal amount of \$987,360 to be paid in 35 years with interest at 1.178%.	987,360
Note payable dated May 29, 2018 to Pacesetter in the principal amount of \$70,960 to be paid in 35 years with interest at 1.178%.	70,960
Note payable dated May 29, 2018 to Pacesetter in the principal amount of \$29,040 to be paid in 35 years with interest at 1.178%.	<u>29,040</u>
	10,372,606
Less: note payable – current portion	<u>-</u>
	<u>\$ 10,372,606</u>

Maturities of notes payable are as follows:

September 30, 2019	\$ -
September 30, 2020	-
September 30, 2021	-
September 30, 2022	-
September 30, 2023	-
Thereafter	<u>10,372,606</u>
	<u>\$ 10,372,606</u>

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. NOTES PAYABLE (Continued)

In December 2017, the Organization entered into a loan agreement with the Rees-Jones Foundation for an interest free promissory note of \$2,100,000 (the "Loan") to obtain the cash necessary to close the NMTC financing with the DDF and Pacesetter. The loan was secured by certain capital campaign pledges. The note would have matured on December 31, 2018. If the Loan was not repaid in full on or before the maturity date, all amounts outstanding would have bore interest at the rate of 6% beginning January 1, 2019 until the date on which the Loan was repaid in full. During 2018, the Organization repaid the loan.

7. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following at September 30, 2018:

Equipment	\$ 5,000
Capital campaign	381,938
Donation for future endowment	50,000
Development director salary	<u>12,500</u>
	<u>\$ 449,438</u>

The above temporarily restricted net assets are classified as follows in the accompanying consolidated statement of financial position:

Restricted cash	\$ 17,500
Pledges receivable	<u>431,938</u>
	<u>\$ 449,438</u>

8. ACCRUED EXPENSES

Accrued expenses consisted of the following at September 30, 2018:

Accrued salaries and payroll tax	\$ 8,984
Accrued vacation	24,919
Accrued interest	40,761
Accrued construction costs	1,494,955
Accrued NMTC professional fees	221,472
Other	<u>9,778</u>
	<u>\$ 1,800,869</u>

9. AMOUNTS DUE TO RESIDENTS FOR SAVINGS PLAN

As part of the temporary housing program, a savings plan and debt reduction plan is established by each resident, whereby the residents set aside funds with the Organization for their future savings and debt reduction needs. During the time that the resident is in the program, they work to reduce any outstanding debt. Upon completion of the program, the residents are paid their individual savings balance. The amounts due to residents were \$10,718 at September 30, 2018. This amount was included in restricted cash for residents for the year ended September 30, 2018.

10. CAPITAL AND OPERATING LEASES

On May 29, 2018, Empowerment and Hope entered into a 99 year ground lease agreement for the land located at 5600 Ross Avenue. The lease includes a \$1 bargain purchase price at the end of the lease. Hope recorded the asset and a related capital lease. The balance of the capital lease is \$87,024 at September 30, 2018.

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. CAPITAL AND OPERATING LEASES (Continued)

On May 29, 2018, Hope and the Organization entered into a 30 year sublease agreement for the existing building located at 5600 Ross Avenue. The Organization recorded the asset and a related capital lease. The balance of the capital lease is \$120,255 at September 30, 2018.

The following is a schedule by year of future minimum lease payments remaining on the capital leases payable together with the present value of the future minimum lease payments as of September 30, 2018:

September 30, 2019	\$ 3,020
September 30, 2020	4,040
September 30, 2021	4,061
September 30, 2022	4,082
September 30, 2023	4,104
Thereafter	<u>456,022</u>
Total minimum lease payments	475,329
Less amounts representing interest	<u>(268,050)</u>
Net present value of future minimum lease payments	<u>\$ 207,279</u>

On May 29, 2018, Empowerment and Hope entered into a 99 year ground lease agreement for the land located at 5600 Ross Avenue. The lease includes a \$1 bargain purchase price at the end of the lease. Empowerment recorded a capital lease receivable and disposed of the asset. The balance of the capital lease receivable is \$304,129 at September 30, 2018.

On May 29, 2018, Hope and the Organization entered into a 30 year sublease agreement for the existing building located at 5600 Ross Avenue. Hope recorded a capital lease receivable and disposed of the asset. The balance of the capital lease receivable is \$169,200 at September 30, 2018.

The following is a schedule by year of future minimum lease payments remaining on the capital leases receivable as of September 30, 2018:

September 30, 2019	\$ 3,020
September 30, 2020	4,040
September 30, 2021	4,061
September 30, 2022	4,082
September 30, 2023	4,104
Thereafter	<u>456,022</u>
Total minimum lease payments	<u>\$ 475,329</u>

All transactions related to the capital lease payables and receivables have been eliminated for the year ended September 30, 2018.

On May 29, 2018, the Empowerment Center and the Organization entered into a 30 year premises lease. The lease has been recorded as an operating lease during the Project's construction phase. Future minimum payments is as follows:

September 30, 2019	\$ 6,750
September 30, 2020	33,750
September 30, 2021	81,000
September 30, 2022	81,000
September 30, 2023	81,000
Thereafter	<u>10,077,000</u>
Total minimum lease payments	<u>\$ 10,360,500</u>

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. DONATED GOODS AND SERVICES

Donated services are reflected in the consolidated financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition, many individuals volunteer their time and efforts that help the Organization provide its services. The value of this contributed time is not reflected in the accompanying consolidated financial statements because it does not meet the above criteria.

The value of donated goods and services is as follows for the year ended September 30, 2018:

Interest income	\$ 132,822
Capitalized professional fees	96,260
Professional services	9,525
	<u>\$ 238,607</u>

12. SIGNIFICANT CONCENTRATIONS

At September 30, 2018, four donors comprised approximately \$400,000 or 65%, of the pledges receivable balance, of which 100% is related to the capital campaign. At September 30, 2017, two donors comprised approximately \$1 million or 56%, of the pledge receivable balance, of which 100% is related to the capital campaign.

At September 30, 2018, one donor comprised approximately \$1,250,000 or 43% of contributions and grants, of which 100% is related to the capital campaign. At September 30, 2017, one donor comprised approximately \$250,000 or 11% of contributions, of which 100% is related to the capital campaign.

13. CONDITIONAL PROMISES TO GIVE

In June 2017, the Organization received a \$35,000 United Way grant. The Organization recognized revenues of \$17,500 for the unconditional six-month portion during the year ended September 30, 2017. During 2018, the organization received and recognized the remaining \$17,500.

In June 2018, the Organization received a \$40,000 United Way grant. The Organization recognized revenues of \$20,000 for the unconditional six month portion during the year ending September 30, 2018.

The Organization received two three-year Community Impact grants in June 2016 in the amount of \$128,000 per year. For the year ended September 30, 2017, the Organization recognized revenues of \$128,000 including the remaining \$64,000 from year one. For the year ending September 30, 2018, the Organization recognized and received revenues of \$128,000.

In April 2017, the Organization was awarded a challenge grant in the amount of \$1,250,000 from The J.E. and L.E. Mabee Foundation, Inc. The Organization was required to raise \$6,141,954 towards the balance needed for the capital campaign, excluding any borrowing or grants from governmental organizations, by April 11, 2018 to be awarded the grant. In January 2018, the Organization raised the \$6,141,954 needed to be awarded the \$1,250,000 challenge grant, and the Organization recognized and received \$1,250,000.

In May 2017, the Organization was awarded a three year grant in the amount of \$180,000 from the Dallas Women's Foundation. The final two years of the grant are conditional and are subject to availability of funds, satisfactory review of progress and receipt of any required financial reports. Through September 30, 2018, there Organization had received \$120,000 with the remaining \$60,000 to be received over the next year.

Interfaith Family Services
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. CAPITAL CAMPAIGN

The Organization is still fundraising to complete the capital project, as well as pay down the debts incurred to build the Project.

15. SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements, subsequent events have been evaluated by the Organization through February 28, 2019, which was the date the consolidated financial statements were available for issuance, and concluded that no disclosures were required.

SUPPLEMENTAL INFORMATION



LORI K. ORTA, P.C.
Certified Public Accountant

Independent Auditor's Report on Additional Information

Board of Directors
Interfaith Family Services

We have audited the consolidated financial statements of Interfaith Family Services as of and for the year ended September 30, 2018, and have issued our report thereon dated February 28, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedule of financial position and the supplemental consolidating schedule of activities and changes in net assets are presented for the purposes of additional analysis and is 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.

Lori K. Orta, P.C.

Dallas, Texas
February 28, 2019

Interfaith Family Services
SUPPLEMENTAL CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
September 30, 2018

Interfaith Family Services:							
Interfaith POB	Interfaith Non-POB	Total Interfaith Family Services	IFS Empowerment Center	IFS Hope Center	Elimination	Total	
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	\$ 964,400	\$ -	\$ 964,400	\$ -	\$ 94,411	\$ -	\$ 1,058,811
Cash and cash equivalents - temporarily restricted	-	17,500	17,500	-	-	-	17,500
Cash and cash equivalents - restricted for residents	10,718	28,533	39,251	-	-	-	39,251
Cash and cash equivalents - restricted for construction	-	-	-	7,390,974	-	-	7,390,974
Pledges receivables - unrestricted - net	173,077	16,250	189,327	-	-	-	189,327
Pledges receivables - temporarily restricted for capital campaign	-	384,334	384,334	-	-	-	384,334
Interest receivable	-	21,812	21,812	-	-	-	21,812
Other assets	4,177	-	4,177	-	-	-	4,177
Due (to)/from Interfaith Family Services	19,941	(17,479)	2,462	185,983	-	(188,445)	-
Due (to)/from IFS Empowerment Center	10,000	(198,445)	(188,445)	-	1,000	187,445	-
Due (to)/from Hope Center	-	-	-	(1,000)	-	1,000	-
Capital lease receivable	-	-	-	1,020	2,000	(3,020)	-
Prepaid expenses	57,346	-	57,346	-	-	-	57,346
Total current assets	1,239,659	252,505	1,492,164	7,576,977	97,411	(3,020)	9,163,532
PLEDGES RECEIVABLES - TEMPORARILY RESTRICTED FOR CAPITAL CAMPAIGN - NET	-	47,604	47,604	-	-	-	47,604
CAPITAL LEASE RECEIVABLE	-	-	-	303,109	169,200	(472,309)	-
NOTE RECEIVABLE	-	6,471,200	6,471,200	-	-	-	6,471,200
LOAN ORIGATION FEES - NET	-	37,324	37,324	-	5,745	-	43,069
PROPERTY, PLANT AND EQUIPMENT - NET	150,557	194,995	345,552	6,130,734	-	(33,340)	6,442,946
TOTAL ASSETS	\$ 1,390,216	\$ 7,003,628	\$ 8,393,844	\$ 14,010,820	\$ 272,356	\$ (508,669)	\$ 22,168,351
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	\$ 1,025	\$ 4,490	\$ 5,515	\$ -	\$ -	\$ -	\$ 5,515
Accrued expenses	9,778	37,427	47,205	1,753,664	-	-	1,800,869
Deferred revenue - residency fees	-	28,533	28,533	-	-	-	28,533
Deferred interest revenue	-	-	-	217,105	50,945	(268,050)	-
Due to residents	10,718	-	10,718	-	-	-	10,718
Capital lease payable - current	621	-	621	-	-	(621)	-
Total current liabilities	22,142	70,450	92,592	1,970,769	50,945	(268,671)	1,845,635
NOTE PAYABLE - NONCURRENT	-	992,606	992,606	9,280,000	100,000	-	10,372,606
CAPITAL LEASE PAYABLE, NONCURRENT	119,634	-	119,634	-	87,024	(206,658)	-
NET ASSETS							
Unrestricted net assets							
Board designated	600,000	-	600,000	-	-	-	600,000
Undesignated	648,440	5,491,134	6,139,574	2,760,051	34,387	(33,340)	8,900,672
Total unrestricted net assets	1,248,440	5,491,134	6,739,574	2,760,051	34,387	(33,340)	9,500,672
Temporarily restricted	-	449,438	449,438	-	-	-	449,438
Total net assets	1,248,440	5,940,572	7,189,012	2,760,051	34,387	(33,340)	9,950,110
TOTAL LIABILITIES AND NET ASSETS	\$ 1,390,216	\$ 7,003,628	\$ 8,393,844	\$ 14,010,820	\$ 272,356	\$ (508,669)	\$ 22,168,351

The accompanying notes are an integral part of these consolidated financial statements.

Interfaith Family Services
SUPPLEMENTAL CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2018

	Interfaith Family Services						Total
	Interfaith POB	Interfaith Non-POB	Total Interfaith Family Services	IFS Empowerment Center	IFS Hope Center	Elimination	
UNRESTRICTED NET ASSETS							
REVENUES							
Contributions and Grants	\$ 448,214	\$ 567,632	\$ 1,015,846	\$ -	\$ -	\$ -	\$ 1,015,846
Residency fees	-	554	554	-	-	-	554
Special event income	99,200	240,251	339,451	-	-	-	339,451
Less: direct expense	<u>(36,664)</u>	<u>(88,585)</u>	<u>(125,249)</u>	-	-	-	<u>(125,249)</u>
Net special event income	62,536	151,666	214,202	-	-	-	214,202
Donated goods and services	4,125	138,222	142,347	96,260	-	-	238,607
Interest and dividends	7,676	31,628	39,304	18,860	414	-	58,578
Net gain on sale/disposal of assets	20	(497,887)	(497,867)	-	34,696	(34,696)	(497,867)
Other	195	14,922	15,117	6,750	-	(6,750)	15,117
Net assets released from restriction	-	<u>4,754,673</u>	<u>4,754,673</u>	-	-	-	<u>4,754,673</u>
Total unrestricted revenues	<u>522,766</u>	<u>5,161,410</u>	<u>5,684,176</u>	<u>121,870</u>	<u>35,110</u>	<u>(41,446)</u>	<u>5,799,710</u>
EXPENSES							
Program services	495,396	999,738	1,495,134	-	-	-	1,495,134
Supporting services							
Management and general	70,992	240,252	311,244	60,900	723	(8,106)	364,761
Fundraising	<u>67,061</u>	<u>141,613</u>	<u>208,674</u>	-	-	-	<u>208,674</u>
Total expenses	<u>633,449</u>	<u>1,381,603</u>	<u>2,015,052</u>	<u>60,900</u>	<u>723</u>	<u>(8,106)</u>	<u>2,068,569</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(110,683)	3,779,807	3,669,124	60,970	34,387	(33,340)	3,731,141
TEMPORARILY NET ASSETS							
REVENUES							
Contributions and Grants	-	1,953,332	1,953,332	-	-	-	1,953,332
Net assets released from restriction	-	<u>(4,754,673)</u>	<u>(4,754,673)</u>	-	-	-	<u>(4,754,673)</u>
Total temporarily restricted revenues	<u>-</u>	<u>(2,801,341)</u>	<u>(2,801,341)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,801,341)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	-	(2,801,341)	(2,801,341)	-	-	-	(2,801,341)
TRANSFERS	1,359,123	(4,058,204)	(2,699,081)	2,699,081	-	-	-
CHANGES IN NET ASSETS	1,248,440	(3,079,738)	(1,831,298)	2,760,051	34,387	(33,340)	929,800
NET ASSETS, at beginning of year	<u>-</u>	<u>9,020,310</u>	<u>9,020,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,020,310</u>
NET ASSETS, at end of year	<u>\$ 1,248,440</u>	<u>\$ 5,940,572</u>	<u>\$ 7,189,012</u>	<u>\$ 2,760,051</u>	<u>\$ 34,387</u>	<u>\$ (33,340)</u>	<u>\$ 9,950,110</u>

The accompanying notes are an integral part of these consolidated financial statements.