INTERFAITH FAMILY SERVICES

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2019

INTERFAITH FAMILY SERVICES

SEPTEMBER 30, 2019

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Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Interfaith Family Services

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Interfaith Family Services (nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2019, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Interfaith Family Services as of September 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities and changes in net assets are presented for purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits 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 U.S. generally accepted auditing standards. In our opinion, such information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
February 26, 2020

Interfaith Family Services
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2019

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	1,043,161
Cash and cash equivalents - with donor restrictions		20,865
Cash and cash equivalents - restricted for residents		27,625
Cash and cash equivalents - restricted for construction		1,178,241
Pledges receivables - without donor restrictions		258,632
Pledges receivables - with donor restrictions for capital campaign		50,000
Interest receivable		53,927
Prepaid expenses		63,118
Total current assets		2,695,569
PLEDGES RECEIVABLES - WITH DONOR RESTRICTIONS FOR CAPITAL CAMPAIGN - NET		24,289
NOTE RECEIVABLE		6,471,200
PROPERTY, PLANT AND EQUIPMENT - NET		10,981,475
TOTAL ASSETS	$	20,172,533

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	77,171
Accrued expenses		1,010,303
Deferred revenue - residency fees		16,242
Deferred income		12,600
Due to residents		11,383
Notes payable - current		33,939
Total current liabilities		1,161,638
NOTE PAYABLE - NONCURRENT		9,154,721
TOTAL LIABILITIES		10,316,359
NET ASSETS		
Without donor restrictions		
Board designated		600,000
Undesignated		9,161,020
Total net assets without donor restrictions		9,761,020
With donor restrictions		95,154
Total net assets		9,856,174
TOTAL LIABILITIES AND NET ASSETS	$	20,172,533

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions and grants	$ 1,499,019	$ 376,074	$ 1,875,093
Residency fees	7,263	-	7,263
Special event income	446,799	-	446,799
Less: direct expense	(115,537)	-	(115,537)
Net special event income	331,262	-	331,262
Interest and dividends	96,790	-	96,790
Other	639	-	639
Net assets released from restriction	730,358	(730,358)	-
Total revenue	2,665,331	(354,284)	2,311,047
EXPENSES			
Program services			
Case Management	545,981	-	545,981
Hope & Horizons	428,517	-	428,517
Career & Financial Education	303,078	-	303,078
Residential Services	262,183	-	262,183
Community Relations	118,021	-	118,021
Total program services	1,657,780	-	1,657,780
Supporting services			
Management and general	449,241	-	449,241
Fundraising	297,962	-	297,962
Total supporting services	747,203	-	747,203
Total expenses	2,404,983	-	2,404,983
CHANGES IN NET ASSETS	260,348	(354,284)	(93,936)
NET ASSETS, at beginning of year	9,500,672	449,438	9,950,110
NET ASSETS, at end of year	$ 9,761,020	$ 95,154	$ 9,856,174

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, 2019

Cash flows from operating activities	
Change in net assets	$ (93,936)
Adjustments to reconcile change in	
net assets to net cash used by operating activities	
Depreciation and amortization	116,940
Amortization of loan origination fees	51,386
Contributions restricted for capital campaign	(45,250)
Amortization of net present value discount	1,685
Changes in operating assets and liabilities, net	
Pledges receivable	(69,305)
Interest receivable	(32,115)
Prepaid expenses	(5,772)
Other assets	4,177
Accounts payable	71,656
Accrued expenses	(73,047)
Deferred revenue - residency fees	(12,291)
Deferred income	12,600
Due to residents	665
Net cash used in operating activities	(72,607)
Cash flows from investing activities	
Acquisition of property, plant and equipment	(6,536,319)
Net change in restricted cash	(3,365)
Net change in restricted cash for construction	6,212,733
Net change in amounts due to residents for savings deposits	11,626
Net cash used in investing activities	(315,325)
Cash flows from financing activities	
Payments on notes payable	(28,932)
Collections of contributions for long-term purposes:	
Capital campaign	401,214
Net cash provided by financing activities	372,282
DECREASE IN CASH AND CASH EQUIVALENTS	(15,650)
CASH AND CASH EQUIVALENTS, beginning of year	1,058,811
CASH AND CASH EQUIVALENTS, end of year	$ 1,043,161
Supplemental disclosures of cash flow information	
Cash paid during the year for	
Interest	$ 42,992
Non-cash transactions	
Interest expense	$ 127,640
Additions to property, plant and equipment	$ 717,519

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, 2019

	Program Services						Supporting Services			
	Case Management	Hope & Horizons	Career & Financial Education	Residential Services	Community Relations	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, benefits, and contract labor	$ 455,890	$ 30,798	$ 81,021	$ 59,191	$ 97,893	$ 724,793	$ 337,771	$ 128,139	$ 465,910	$ 1,190,703
Properties expenses	33,728	158,570	82,678	125,348	8,319	408,643	8,998	34,444	43,442	452,085
Resident expenses	12,186	24,681	25,346	45,805	2,638	110,656	-	-	-	110,656
Telephone	2,831	1,408	7,549	472	472	12,732	3,879	1,887	5,766	18,498
Depreciation and amortization	1,149	65,369	29,013	14,785	538	110,854	4,023	2,063	6,086	116,940
Marketing and branding	-	-	-	-	-	-	-	52,686	52,686	52,686
Materials and supplies	7,532	6,536	5,320	3,794	1,392	24,574	10,100	6,781	16,881	41,455
Newsletter and other	-	-	-	-	-	-	-	26,274	26,274	26,274
Automotive	-	1,922	-	5,132	-	7,054	-	-	-	7,054
Professional fees	26,132	23	-	173	2,444	28,772	50,854	9,415	60,269	89,041
Interest expense	-	111,516	50,121	3,488	839	165,964	3,299	1,369	4,668	170,632
Office and postage	2,975	20,100	21,848	2,563	2,331	49,817	14,423	7,519	21,942	71,759
Other	3,558	7,594	182	1,432	1,155	13,921	15,894	27,385	43,279	57,200
	$ 545,981	$ 428,517	$ 303,078	$ 262,183	$ 118,021	$ 1,657,780	$ 449,241	$ 297,962	$ 747,203	$ 2,404,983

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

1. CHANGE IN ACCOUNTING PRINCIPLES

Effective October 1, 2018, Interfaith Family Services (the "Organization") adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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. The Organization receives funding from individuals, corporations, foundations and churches. The Organization's programs are as follows:

Case Management - is designed for individuals who are unemployed or struggling financially. This program allows families, who do not reside with the Organization, to have access to the Organization's resources including GED/ESL, vocational training, career coaching, free childcare, optional rental and/or utility assistance, financial coaching and counseling services.

Hope & Horizons – is designed to stabilize homeless children through a combination of arts and crafts that emphasize creativity, play therapy to address emotional and social issues, individualized tutoring to address common academic gaps, and field trips & camps that expose children to the larger world.

Career & Financial Education – provides career services and financial coaching in tandem to ensure that working poor families will not just earn more, but also have the tools and knowledge to allocate their earnings appropriately. The Organization's graduates can live at ease knowing that a loss of hours, family illness, or needed car repair will not thrust them into homelessness. By reducing debt, creating a savings safety net, and a weekly budget, clients are empowered to break the generational cycle of poverty.

Residential Program – provides housing for homeless families in one of our 23 lovingly decorated, furnished apartments. The apartments are rent-free if families enter the program unemployed. Upon obtaining employment, the Organization requires a monthly occupancy charge of 30% of the net family income. To encourage savings, Interfaith returns 100% of that charge to families who meet the savings target and successfully complete all other program requirements.

Community Relations – provides education to the community regarding the Organization's programs and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles 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 are 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 5 for promissory notes receivable and Note 7 for promissory notes payable. DDF, DDF Mike, Bridge Lender and Pacesetter are not related to the Organization.

The NMTC requires the Organization to seperately 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, nonqualifed 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 12.

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

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.

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

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. See Note 8.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. See Note 9. Donor restrictions on contributions of property and equipment or contributions restricted for the purchase or construction of property expire when the assets are placed in service unless the donor stipulated otherwise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash. See Note 3.

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 $1,757,937 at September 30, 2019.

Restricted Cash and Cash Equivalents

At September 30, 2019, restricted cash and cash equivalents represents donor-restricted contributions for the capital campaign and cash held in separate accounts to be used for construction and debt service as required by the NMTC agreements.

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. See Note 4.

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 complete the program and move out of the Organization's apartments. Depreciation and amortization of property, plant and equipment is computed on a straight-line basis over the estimated useful lives as follows:

	Estimated Useful Lives
Website, software, automobiles and video	5 years
Furniture, fixtures and equipment	5-10 years
Landscaping and signage	15 years
Building and improvements	5-40 years

Impairment of Long-Lived Assets

Management of the Organization periodically reviews the carrying value of its long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. Fair value is determined based on the estimated future cash inflows attributable to the asset less estimated future cash outflows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Origination Fees

The loan origination fees associated with the notes payables listed in Note 7 to the consolidated financial statements are included in notes payable on the consolidated statement of financial statement. Amortization of loan orginiation fees was $51,386 for the year ended September 30, 2019 and is included in interest expense on the consolidated statement of functional expneses.

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.

Revenue Recognition

Contributions and grants are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give (pledges receivable) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met.

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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of Allocation
Salaries, benefits, and contract labor	Time and effort
Repairs and maintenance, liability insurance and utilities	Square footage
Office supplies	Full time equivalents
Information technology	Number of computers
Depreciation	Square footage and use of assets
Interest expense	Square footage

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Organization, Hope and Empowerment are exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code, except to the extent it has unrelated business income. For the year ended September 30, 2019, 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, 2019. 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 2016.

3. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets that are available or expected to be available within one year of September 30, 2019 to fund general expenditures and obligations as they become due:

Financial assets	
Cash and cash equivalents	$ 2,269,892
Pledges receivable	308,632
Interest receivable	53,927
Total financial assets	2,632,451
Less amounts not available to be used within one year, due to:	
Designated by Board for operating reserve	(600,000)
Pledges receivable restricted for capital campaign	(50,000)
Cash restricted for construction	(1,178,241)
Cash restricted for residents	(27,625)
Financial assets available to meet general expenditures within one year	$ 776,585

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization regularly monitors liquidity and resources required to meet its operational needs and other contractual commitments. To help manage unanticipated liquidity needs, Organization's Board has designated an operating reserve of $600,000.

4. PLEDGES RECEIVABLE

Included in pledges receivable are amounts that comprise unconditional promises to give due to the Organization at September 30, 2019:

Pledges receivable	$ 333,632
Less: unamortized discount	(711)
	$ 332,921

Net amounts due in:	
Less than one year	$ 308,632
One year to five years (less unamortized discount)	24,289
	$ 332,921

5. 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%. Interest is due quarterly and principle and interest payments begin on December 10, 2026. The note matures on December 1, 2045. The note Is secured by the amended and restated deed of trust.	$ 6,471,200

Collections of the note receivable is as follows:

September 30, 2020	$ -
September 30, 2021	-
September 30, 2022	-
September 30, 2023	-
September 30, 2024	-
Thereafter	6,471,200
	$ 6,471,200

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at September 30, 2019:

Building and improvements	$ 9,850,955
Land	1,391,067
Furniture and equipment	255,090
Automobiles	108,713
Computers and equipment	76,284
Landscaping	63,940
Signage	34,624
Website	13,300
Software	6,923
Video	5,000
	11,805,896
Accumulated depreciation and amortization	(824,421)
Total	$ 10,981,475

Depreciation and amortization expense on property, plant and equipment was $116,940 for the year ended September 30, 2019.

7. NOTES PAYABLE

Notes payable consist of the following at September 30, 2019:

Note payable dated May 29, 2018 to Bridge Lender in the principal amount $1,000,000; to be paid in 84 months with interest at LIBOR plus 2%. At September 30, 2019, LIBOR was 2%. The note is secured by the amended and restated deed of trust.	$ 963,674
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%. The note is secured by the amended and restated deed of trust.	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%. The note is secured by the amended and restated deed of trust.	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%. The note is secured by the amended and restated deed of trust.	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%. The note is secured by the amended and restated deed of trust.	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%. The note is secured by the amended and restated deed of trust.	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%. The note is secured by the amended and restated deed of trust.	29,040
	10,343,674
Less: note payable – current portion	(33,939)
Less: unamortized loan origination fees	(1,155,014)
	$ 9,154,721

Maturities of notes payable are as follows:

September 30, 2020	$ 33,939
September 30, 2021	35,366
September 30, 2022	36,853
September 30, 2023	38,403
September 30, 2024	40,017
Thereafter	10,159,096
	10,343,674
Less: amounts representing loan origination fees	(1,155,014)
	$ 9,188,660

7. NOTES PAYABLE (Continued)

The Organization is not permitted to prepay any portion of the loans until the seventh anniversary of the loan. After the seventh anniversary of the note receivable (See Note 5), Chase Community Equity, LLC ("CCE") can exercise its put option to sell its interest in the Investment Fund to the Organization for $1,000. If CCE does not exercise the put option, the Organization can exercise its call option to purchase the interest in the Investment Fund at fair market value. After exercising its option to purchase the interest in the Investment Fund, the Organization may cancel the NMTC notes payable.

8. BOARD DESIGNATED NET ASSETS

The Organization's board has designated, from net assets without donor restrictions of $9,761,020, an operating reserve of $600,000. The reserve is to hold assets that will be available to supplement or cover a shortage of funds for activities supported by the Organization.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following at September 30, 2019:

Subject to expenditure for specified purpose:	
Capital campaign	$ 89,989
Equipment	5,000
Mayor's intern fellowship program	165
	$ 95,154

Released from net assets with donor restrictions consisted of the following for the year ended September 30, 2019:

Satisfaction of purpose restrictions:	
Capital campaign	$ 716,199
Development	12,500
Mayor's intern fellowship program	1,659
	$ 730,358

10. ACCRUED EXPENSES

Accrued expenses consisted of the following at September 30, 2019:

Accrued salaries and payroll tax	$ 47,144
Accrued vacation	30,574
Accrued interest	58,767
Accrued retainage payable	777,436
Accrued NMTC professional fees	96,382
	$ 1,010,303

11. 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 was $11,383 at September 30, 2019. This amount was included in restricted cash for residents for the year ended September 30, 2019.

12. CAPITAL 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 $87,962 at September 30, 2019.

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 $119,377 at September 30, 2019.

On May 29, 2018, Empowerment and the Organization entered into a 30 year premises lease. The lease was recorded as an operating lease during the Project's construction phase. After construction was completed on July 1, 2019, Empowerment and the Organization entered into a 30 year sublease agreement for the land and improvements located on 1651 Matilda Street. The Organization recorded the asset and a related capital lease. The balance of the capital lease is $7,174,179 at September 30, 2019.

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, 2019:

September 30, 2020	$ 73,228
September 30, 2021	85,061
September 30, 2022	85,082
September 30, 2023	85,104
September 30, 2024	85,126
Thereafter	10,384,646
Total minimum lease payments	10,798,247
Less amounts representing interest	(3,416,728)
Net present value of future minimum lease payments	$ 7,381,518

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 $303,109 at September 30, 2019.

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 $166,700 at September 30, 2019.

On July 1, 2019, Empowerment and the Organization entered into a 30 year sublease agreement for the land and improvements located at 1651 Matilda Street. Empowerment recorded a capital lease receivable and disposed of the asset. The balance of the capital lease is $10,328,437 at September 30, 2019.

The following is a schedule by year of future minimum lease payments remaining on the capital leases receivable as of September 30, 2019:

September 30, 2020	$ 73,228
September 30, 2021	85,061
September 30, 2022	85,082
September 30, 2023	85,104
September 30, 2024	85,126
Thereafter	10,384,646
Total minimum lease payments	$ 10,798,247

All transactions related to the capital lease payables and receivables have been eliminated in consolidation for the year ended September 30, 2019.

13. SIGNIFICANT CONCENTRATIONS

At September 30, 2019, three donors comprised approximately $213,000 or 64% of the pledges receivable balance, of which 100% is related to the capital campaign.

At September 30, 2019, three donors comprised approximately $890,000 or 48% of contributions and grants, of which 38% is related to the capital campaign.

14. CONDITIONAL PROMISES TO GIVE

In December 2018, the Organization received a two year grant in the amount of $200,000 from United Way of Metropolitan Dallas ("UW") in the amount of $100,000 per year. For the year ended September 30, 2019, the Organization recognized revenues of $100,000 for year one. The remaining $100,000 of year two is conditional upon UW's collection of its donor pledges.

In June 2019, the Organization received a UW three-year Community Impact grant in the amount of $150,000 per year. For the year ended September 30, 2019, the Organization recognized revenues of $75,000 for the unconditional six month portion of year one. The remaining $75,000 of one year is conditional upon UW's collection of its donor pledges.

In May 2019, the Organization received a three year grant in the amount of $180,000 from the Texas 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, 2019, the Organization had recognized and received $60,000 with the remaining $120,000 to be received over the next two years.

In February 2019, the Organization received a grant in the amount of $314,152 from the Crystal Charity Ball ("CCB"). The grant is conditional and subject to CCB raising the funds at its gala that will be held in December 2019.

In June 2019, the Organization received a two year grant in the amount of $500,000 from the W.W. Caruth, Jr. Foundation, which will be paid in four installments. The last three installments are conditional and are subject to the Organization meeting specific program outputs and outcomes. Through September 30, 2019, the Organization had recognized $250,000, of which $125,000 was received. The remaining $250,000 is scheduled to be received over the next two fiscal years.

15. NEW ACCOUNTING PRONOUNCEMENTS

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification. The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

15. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In 2018, the FASB issued ASU 2018-08 Clarifying the Scope and Accounting Guidance for Contributions Received and Made to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued ASU 2016-18, Statement of Cash Flows: Restricted Cash requiring the consolidated statement of cash flows to explain the change during the year in the total of cash, cash and cash equivalents and amounts generally described as restricted cash. This standard takes effect for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued its leasing standard in ASU 2016-02, Leases for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2020.

The Organization is currently assessing the impact that adopting this new guidance will have on the consolidated financial statements.

16. SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements, subsequent events have been evaluated by the Organization through February 26, 2020, which was the date the consolidated financial statements were available for issuance, and concluded that no disclosures were required.

SUPPLEMENTAL INFORMATION

Interfaith Family Services
SUPPLEMENTAL CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
September 30, 2019

	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	$ 1,006,178	$ -	$ 1,006,178	$ -	$ 36,983	$ -	$ 1,043,161
Cash and cash equivalents - with donor restrictions	5,165	15,700	20,865	-	-	-	20,865
Cash and cash equivalents - restricted for residents	11,383	16,242	27,625	-	-	-	27,625
Cash and cash equivalents - restricted for construction	-	-	-	1,178,241	-	-	1,178,241
Pledges receivables - without donor restrictions	258,632	-	258,632	-	-	-	258,632
Pledges receivables - with donor restrictions for capital campaign	-	50,000	50,000	-	-	-	50,000
Interest receivable	-	53,927	53,927	-	-	-	53,927
Due (to)/from Interfaith Family Services	(198,216)	198,216	-	(428,259)	(2,693)	430,952	-
Due (to)/from IFS Empowerment Center	624,241	(195,983)	428,258	-	(1,119)	(427,139)	-
Due (to)/from Hope Center	2,693	-	2,693	1,119		(3,812)	-
Capital lease receivable	-	-	-	70,228	3,000	(73,228)	-
Prepaid expenses	56,692	-	56,692	6,426	-	-	63,118
Total current assets	1,766,768	138,102	1,904,870	827,755	36,171	(73,227)	2,695,569
PLEDGES RECEIVABLES - WITH DONOR RESTRICTIONS FOR CAPITAL CAMPAIGN - NET	-	24,289	24,289	-	-	-	24,289
CAPITAL LEASE RECEIVABLE	-	-	-	10,561,319	163,700	(10,725,019)	-
NOTE RECEIVABLE	-	6,471,200	6,471,200	-	-	-	6,471,200
PROPERTY, PLANT AND EQUIPMENT - NET	7,230,772	184,127	7,414,899	688,515	54,067	2,823,994	10,981,475
TOTAL ASSETS	$ 8,997,540	$ 6,817,718	$ 15,815,258	$ 12,077,589	$ 253,938	$ (7,974,252)	$ 20,172,533
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	$ 63,721	$ 2,050	$ 65,771	$ 775	$ 10,625	$ -	$ 77,171
Accrued expenses	62,745	17,547	80,292	929,588	423	-	1,010,303
Deferred revenue - residency fees	-	16,242	16,242	-	-	-	16,242
Deferred interest revenue	-	-	-	157,161	2,692	(159,853)	-
Deferred income	12,600	-	12,600	-	-	-	12,600
Due to residents	11,383	-	11,383	-	-	-	11,383
Notes payable - current	-	33,939	33,939	-	-	-	33,939
Capital lease payable - current	-	-	-	-	-	-	-
Total current liabilities	150,449	69,778	220,227	1,087,524	13,740	(159,853)	1,161,638
DEFERRED INTEREST REVENUE	-	-	-	3,212,244	44,631	(3,256,875)	-
NOTE PAYABLE - NONCURRENT	-	898,010	898,010	8,162,290	94,421	-	9,154,721
CAPITAL LEASE PAYABLE, NONCURRENT	7,293,556	-	7,293,556	-	87,962	(7,381,518)	-
TOTAL LIABILITIES	7,444,005	967,788	8,411,793	12,462,058	240,754	(10,798,246)	10,316,359
NET ASSETS (DEFICIT)							
Without donor restrictions							
Board designated	600,000	-	600,000	-	-	-	600,000
Undesignated	948,370	5,759,941	6,708,311	(384,469)	13,184	2,823,994	9,161,020
Total net assets without donor restrictions	1,548,370	5,759,941	7,308,311	(384,469)	13,184	2,823,994	9,761,020
With donor restrictions	5,165	89,989	95,154	-	-	-	95,154
Total net assets	1,553,535	5,849,930	7,403,465	(384,469)	13,184	2,823,994	9,856,174
TOTAL LIABILITIES AND NET ASSETS	$ 8,997,540	$ 6,817,718	$ 15,815,258	$ 12,077,589	$ 253,938	$ (7,974,252)	$ 20,172,533

See Independent Auditor's Report on Additional Information.

Interfaith Family Services
SUPPLEMENTAL CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2019

	Interfaith Family Services						
	Interfaith POB	Interfaith Non-POB	Total Interfaith Family Services	IFS Empowerment Center	IFS Hope Center	Elimination	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS							
REVENUES WITHOUT DONOR RESTRICTIONS							
Contributions and grants	$ 1,499,019	$ -	$ 1,499,019	$ -	$ -	$ -	$ 1,499,019
Residency fees	-	7,263	7,263	-	-	-	7,263
Special event income	446,799	-	446,799	-	-	-	446,799
Less: direct expense	(115,537)	-	(115,537)	-	-	-	(115,537)
Net special event income	331,262	-	331,262	-	-	-	331,262
Interest and dividends	8,429	64,830	73,259	58,645	4,179	(39,293)	96,790
Other	639	-	639	23,625	-	(23,625)	639
Net assets released from restriction	14,159	716,199	730,358	-	-	-	730,358
Total revenues without donor restrictions	1,853,508	788,292	2,641,800	82,270	4,179	(62,918)	2,665,331
EXPENSES							
Program services							
Case Management	545,981	-	545,981	-	-	-	545,981
Hope & Horizons	179,378	32,149	211,527	2,134,488	6,097	(1,923,595)	428,517
Career & Financial Education	191,267	14,402	205,669	956,245	1,420	(860,256)	303,078
Residential Services	93,834	161,777	255,611	63,131	1,440	(57,999)	262,183
Community Relations	116,413	189	116,602	12,524	1,404	(12,509)	118,021
Total program services	1,126,873	208,517	1,335,390	3,166,388	10,361	(2,854,359)	1,657,780
Supporting services							
Management and general	437,127	4,598	441,725	44,943	10,786	(48,213)	449,241
Fundraising	295,715	233	295,948	15,459	4,235	(17,680)	297,962
Total supporting services	732,842	4,831	737,673	60,402	15,021	(65,893)	747,203
Total expenses	1,859,715	213,348	2,073,063	3,226,790	25,382	(2,920,252)	2,404,983
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(6,207)	574,944	568,737	(3,144,520)	(21,203)	2,857,334	260,348
NET ASSETS WITH DONOR RESTRICTIONS							
REVENUES WITH DONOR RESTRICTIONS							
Contributions and grants	1,824	374,250	376,074	-	-	-	376,074
Net assets released from restriction	(14,159)	(716,199)	(730,358)	-	-	-	(730,358)
Total revenues with donor restrictions	(12,335)	(341,949)	(354,284)	-	-	-	(354,284)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(12,335)	(341,949)	(354,284)	-	-	-	(354,284)
TRANSFERS	323,637	(323,637)	-	-	-	-	-
CHANGES IN NET ASSETS	305,095	(90,642)	214,453	(3,144,520)	(21,203)	2,857,334	(93,936)
NET ASSETS, at beginning of year	1,248,440	5,940,572	7,189,012	2,760,051	34,387	(33,340)	9,950,110
NET ASSETS (DEFICIT), at end of year	$ 1,553,535	$ 5,849,930	$ 7,403,465	$ (384,469)	$ 13,184	$ 2,823,994	$ 9,856,174

See Independent Auditor's Report on Additional Information.