Keegan Linscott & Associates, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

INTERFAITH COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

TABLE OF CONTENTS

Keegan
Linscott &
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Interfaith Community Services
Tucson, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Interfaith Community Services (the "Organization"), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, expenses by function and nature and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2024, the Organization adopted ASU No. 2016-13*, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Keegan Linscott & Associates, PC

Tucson, Arizona
October 22, 2024

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 2,036,560	$ 2,418,207
Investments	5,968,853	6,217,328
Government and foundation grants receivable	356,362	147,991
In-kind contribution receivable	9,840	9,840
Food box inventory	91,407	54,890
Prepaid expenses and other current assets	28,074	25,448
Total current assets	8,491,096	8,873,704
Beneficial interests in funds held by others	56,222	52,712
In-kind contribution receivable, net of current portion	34,196	41,493
Property and equipment, net	1,952,525	1,641,331
Operating lease right of use asset	29,610	-
Total assets	$ 10,563,649	$ 10,609,240
Liabilities		
Current liabilities		
Accounts payable	$ 204,049	$ 139,183
Accrued payroll and related taxes	213,761	172,407
Deferred grant revenue	-	41,656
Operating lease liability, current portion	6,158	-
Total current liabilities	423,968	353,246
Operating lease liability, long term	23,560	-
Total liabilities	447,528	353,246
Net Assets		
Without donor restrictions		
Undesignated	1,611,788	1,822,653
Designated:		
Board-designated quasi-endowment	1,627,469	2,078,974
Expended for property and equipment	1,952,525	1,641,331
	5,191,782	5,542,958
With donor restrictions	4,924,339	4,713,036
Total net assets	10,116,121	10,255,994
Total liabilities and net assets	$ 10,563,649	$ 10,609,240

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Public Support						
Government grants	$ 1,552,303	$ -	$ 1,552,303	$ 1,526,333	$ -	$ 1,526,333
Foundation grants	460,990	451,566	912,556	347,404	1,123,511	1,470,915
General contributions	1,128,120	385,556	1,513,676	1,224,839	330,215	1,555,054
In-kind contributions	3,450,858	2,543	3,453,401	4,155,712	2,891	4,158,603
Congregational support	159,785	78,452	238,237	158,283	71,928	230,211
Bequests	145,302	-	145,302	1,518,220	-	1,518,220
Program income	54,507	-	54,507	51,998	-	51,998
Special events, net of $0 direct donor benefit costs	197,496	-	197,496	193,060	-	193,060
Investment income, net	312,111	508,143	820,254	173,770	375,802	549,572
Other income	7,385	-	7,385	3,050	-	3,050
Net assets released from restrictions	1,214,957	(1,214,957)	-	1,554,566	(1,554,566)	-
Total revenues and public support	8,683,814	211,303	8,895,117	10,907,235	349,781	11,257,016
Expenses						
Program services	7,846,849	-	7,846,849	8,736,616	-	8,736,616
Management and general	629,042	-	629,042	748,201	-	748,201
Fundraising	559,099	-	559,099	562,963	-	562,963
Total expenses	9,034,990	-	9,034,990	10,047,780	-	10,047,780
Change in net assets	(351,176)	211,303	(139,873)	859,455	349,781	1,209,236
Net assets, beginning of year	5,542,958	4,713,036	10,255,994	4,683,503	4,363,255	9,046,758
Net assets, end of year	$ 5,191,782	$ 4,924,339	$ 10,116,121	$ 5,542,958	$ 4,713,036	$ 10,255,994

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services								Supporting Services		
	Emergency Financial Assistance	Food Bank	Self Sufficiency Programs	Centralized Intake	Senior Services	Community Health Outreach	Community Engagement	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 276,900	$ 277,685	$ 368,614	$ 299,254	$ 260,938	$ 39,411	$ 271,604	$ 1,794,406	$ 442,226	$ 283,157	$ 2,519,789
Payroll taxes	21,111	21,227	28,151	23,338	20,104	3,051	20,184	137,166	34,126	21,148	192,440
Employee benefits	22,741	27,210	29,354	28,183	23,250	1,208	35,408	167,354	39,484	29,095	235,933
Total personnel	320,752	326,122	426,119	350,775	304,292	43,670	327,196	2,098,926	515,836	333,400	2,948,162
Client assistance:											
Food boxes	-	3,224,528	-	-	-	-	-	3,224,528	-	-	3,224,528
Mobile meal trays	-	-	-	-	101,246	-	-	101,246	-	-	101,246
Shelter assistance	599,636	-	63,961	-	-	-	-	663,597	-	-	663,597
Utility assistance	294,249	-	22,522	-	-	-	-	316,771	-	-	316,771
Other client assistance	95,605	75	252,036	-	344	-	-	348,060	25	-	348,085
Depreciation	17,676	53,532	31,325	9,293	12,304	1,119	17,378	142,627	7,234	6,677	156,538
Insurance	2,532	18,795	4,486	1,331	1,762	160	9,531	38,597	4,787	956	44,340
Lease expense	10,222	30,959	18,116	5,375	7,115	647	10,050	82,484	4,183	3,861	90,528
Miscellaneous	3,508	14,074	30,585	2,664	2,877	350	13,355	67,413	31,971	16,784	116,168
Office expense	19,940	60,703	35,318	10,314	13,679	1,242	20,876	162,072	8,028	13,224	183,324
Postage	1,011	2,971	1,870	516	683	62	964	8,077	450	16,154	24,681
Printing	90	357	159	47	209	6	3,182	4,050	115	37,621	41,786
Professional services	10,493	31,780	74,242	5,545	8,254	664	23,328	154,306	49,043	67,329	270,678
Repairs and maintenance	1,924	20,781	3,308	981	6,641	118	1,835	35,588	764	705	37,057
Supplies	1,284	12,643	11,635	649	1,023	6,737	13,537	47,508	674	57,784	105,966
Telephone	5,095	15,658	9,029	2,679	11,919	323	5,951	50,654	2,085	1,924	54,663
Travel	2,124	5,322	5,184	261	2,706	262	3,958	19,817	1,713	711	22,241
Utilities	5,213	15,789	9,239	2,741	3,629	330	5,126	42,067	2,134	1,969	46,170
Volunteer mileage reimbursement	-	-	-	-	238,461	-	-	238,461	-	-	238,461
Total expenses	$ 1,391,354	$ 3,834,089	$ 999,134	$ 393,171	$ 717,144	$ 55,690	$ 456,267	$ 7,846,849	$ 629,042	$ 559,099	$ 9,034,990

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services								Supporting Services		
	Emergency Financial Assistance	Food Bank	Self Sufficiency Programs	Centralized Intake	Senior Services	Community Health Outreach	Community Engagement	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 343,251	$ 239,479	$ 292,621	$ 252,038	$ 221,556	$ 112,255	$ 193,146	$ 1,654,346	$ 517,534	$ 296,865	$ 2,468,745
Payroll taxes	26,463	19,155	22,341	19,503	17,177	10,980	13,293	128,912	38,367	21,875	189,154
Employee benefits	25,868	11,884	18,308	30,090	11,800	2,596	20,668	121,214	40,878	35,302	197,394
Total personnel	395,582	270,518	333,270	301,631	250,533	125,831	227,107	1,904,472	596,779	354,042	2,855,293
Client assistance:											
Food boxes	-	3,323,474	-	-	-	-	-	3,323,474	-	-	3,323,474
Mobile meal trays	-	-	-	-	114,526	-	-	114,526	-	-	114,526
Shelter assistance	1,164,307	-	84,597	-	-	-	-	1,248,904	-	-	1,248,904
Utility assistance	641,203	-	19,785	-	-	-	-	660,988	-	-	660,988
Other client assistance	89,363	485	262,448	20	4,842	-	-	357,158	74	75	357,307
Depreciation	17,431	52,792	30,891	9,165	12,133	1,104	17,138	140,654	7,133	6,584	154,371
Insurance	2,317	17,412	4,106	1,218	3,435	147	7,141	35,776	3,917	875	40,568
Lease expense	10,222	30,959	18,116	5,375	7,115	647	10,050	82,484	4,183	3,861	90,528
Miscellaneous	4,864	9,367	17,486	1,993	2,542	2,281	11,204	49,737	38,823	17,022	105,582
Office expense	19,310	51,353	34,138	9,025	13,960	1,605	24,373	153,764	32,483	22,956	209,203
Postage	528	1,218	778	212	280	25	1,917	4,958	295	9,111	14,364
Printing	282	817	728	163	164	29	4,186	6,369	1,000	20,356	27,725
Professional services	17,538	34,903	69,775	6,203	18,865	1,033	22,886	171,203	53,600	42,869	267,672
Repairs and maintenance	2,244	20,913	3,914	1,161	5,279	140	2,171	35,822	937	834	37,593
Supplies	1,221	18,633	10,553	370	1,306	10,277	24,626	66,986	2,027	79,601	148,614
Telephone	5,923	17,684	10,231	3,018	12,138	416	6,689	56,099	2,537	2,321	60,957
Travel	2,320	3,483	7,932	52	1,871	803	9,574	26,035	2,631	810	29,476
Utilities	4,357	13,927	7,721	2,291	3,033	276	4,399	36,004	1,782	1,646	39,432
Volunteer mileage reimbursement	-	-	-	-	261,203	-	-	261,203	-	-	261,203
Total expenses	$ 2,379,012	$ 3,867,938	$ 916,469	$ 341,897	$ 713,225	$ 144,614	$ 373,461	$ 8,736,616	$ 748,201	$ 562,963	$ 10,047,780

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ (139,873)	$ 1,209,236
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	156,538	154,371
Net realized and unrealized gain on investments	(632,599)	(354,842)
Net realized and unrealized gain on beneficial interest in funds held by others	(4,432)	(3,227)
Donated securities	(27,446)	(10,238)
Amortization of discounts on in-kind and beneficial interest in charitable lead annuity trust contributions receivable	(2,543)	(2,891)
Gain on disposal of property and equipment	(2,355)	-
Contributions restricted for long term purposes	(22,200)	(5,042)
Reduction in carrying amount of right of use asset	2,978	-
Changes in operating assets and liabilities		
Government and foundation grants receivable	(208,371)	376,780
In-kind contribution receivable	9,840	9,840
Food box inventory	(36,517)	(23,951)
Prepaid expenses and other current assets	(2,626)	(3,838)
Accounts payable	64,866	68,497
Accrued payroll and related taxes	41,354	3,649
Operating lease liability	(2,870)	-
Deferred grant revenue	(41,656)	(110,301)
Net cash (used in) provided by operating activities	(847,912)	1,308,043
Cash Flows from Investing Activities		
Proceeds from sale of investments and investments - other	987,240	863,172
Purchase of investments and investments - other	(78,720)	(1,023,219)
Distributions from beneficial interests in funds held by others	1,041	1,056
Contributions and reinvestments in beneficial interests	(119)	95
Proceeds from the disposal of property and equipment	4,200	-
Purchase of property and equipment	(469,577)	(97,428)
Net cash provided by (used in) investing activities	444,065	(256,324)
Cash Flows from Financing Activities		
Collection on contributions restricted for long-term purposes	22,200	5,042
Distribution from beneficial interest in charitable lead annuity trust	-	72,480
Net cash provided by financing activities	22,200	77,522
Net change in cash and cash equivalents	(381,647)	1,129,241
Cash and cash equivalents, beginning of year	2,418,207	1,288,966
Cash and cash equivalents, end of year	$ 2,036,560	$ 2,418,207
Supplemental Disclosure of Cash Flow Information		
Cash paid for amounts included in measurement of lease liabilities		
Operating cash outflows - payments on operating leases	$ 3,476	$ -
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	$ 32,588	$ -

NOTES TO FINANCIAL STATEMENTS

1. Organization

Interfaith Community Services (the "Organization") is an Arizona nonprofit corporation, incorporated in 1985. The Organization's funding comes primarily from contributions from affiliated congregations, individual donations, grants and special events. The Organization is a non-sectarian, faith-based, social services organization with a network of partnering faith communities that provides the following services:

Emergency Financial Assistance – The Organization's Emergency Financial Assistance (EFA) program provides financial assistance, short-term case management, and other support for individuals or families in emergency situations or to prevent homelessness. The goal is to provide for acute basic needs that help clients in distress get back on their feet and take steps toward stability and independence. The types of financial assistance include: rent and shelter expenses, utility bills, emergency prescription medications, food and gas vouchers, and back-to-work expenses such as permits, IDs, and clothing vouchers. In addition to financial support, EFA's Gifts of Love program matches pre-screened individuals and families with donors who provide additional support during the holiday season in the form of toys, gift cards, and clothing. EFA also connects clients with free tax preparation through VITA, which is designed for individuals and families with low to moderate incomes.

Food Bank – The Organization's Food Bank partners with the Community Food Bank of Southern Arizona to distribute emergency food boxes each month to low-income seniors, as well as individuals and families in need. Registered households can receive one food box per month, filled with basic food staples. Those in need are also able to visit a second time to pick up extra items offered by the food bank. Through year-round community donations, the Organization offers additional food items such as bread, fresh produce, dairy items, and household products. During the holidays, the Organization includes special holiday food items such as scalloped potatoes and stuffing in the food bags. The food bank is dependent upon community food drives and donations from individuals, faith community partners, and other outside organizations to help keep the shelves stocked and to offer a selection of healthy foods to households in hardship. Additionally, the Organization organizes several events, namely the Fall Food Drive and Empty Bowls events, throughout the course of the year to raise supplies, funding, and awareness for the food bank.

Self-Sufficiency – The Organization's Self-Sufficiency programs link up to offer more than short-term help; the Organization works with clients to build long-range solutions that promote sustainability. Self-Sufficiency is made up of Workforce Development, Single Mom Scholars, Youth Enrichment Support, and RESET.

Workforce Development - This program assists clients in their goal of self-sufficiency, starting with the ability to secure and retain a stable job as well as identifying pathways for career development. The Organization's volunteers work one-on-one with job seekers to set employment goals and objectives, assist with resume writing, provide interview coaching, and offer encouragement to position clients to be more competitive in today's employment market. Other services include classes on financial literacy and basic computer skills. Additionally, the Organization offers the Getting Ahead and Bridges Financial Management workshops to help participants identify and overcome barriers to self-sufficiency while providing them tools to succeed on their own. All services and workshops are free.

Single Mom Scholars - Single Mom Scholars (SMS) provides assistance to low-income single mom college student families while the mother pursues a college education and financial independence. In addition to an annual scholarship to offset education and living expenses, the program provides multi-

NOTES TO FINANCIAL STATEMENTS

Organization (continued)

Self-sufficiency (continued)

faceted program benefits including AAA, auto repair, dental care, feminine products, mentorship, emergency assistance, clothing, laptops, a graduate mentorship program, and more. Each scholar attends monthly meetings where they form a peer support system and are provided life skills and financial literacy education.

Youth Enrichment Support (YES) - YES provides support for the many families where the cost of early childhood education, basic school supplies, or after school sports or clubs are out of reach. YES funding for qualified clients specifically helps pay for things like: backpacks, tutoring, sports programs, child care, instrument rental and other enrichment opportunities.

RESET - This program is a long-term support commitment with the goal of providing individuals and their families with guidance, crucial life skills, and support over a 12-24-month period. It is designed for individuals and families that are ready to navigate out of poverty and establish a life of self-sufficiency. By the end of their time in this program, participants will have pressed a figurative "reset" button, equipped with tools, connections and resources to keep them on the path to long-term stability.

Centralized Intake - The Organization's Centralized Intake program acts as the single point of entry for all clients. Centralized Intake staff and volunteers make initial contact with prospective clients by phone, performing an intake screening to assess client needs and create a client record in the ETO database. They listen patiently and empathetically while clients talk about their struggles and needs. Once the intake screening is complete, Resource and Intake Specialists make referrals to all the Organization's programs for which the client is eligible, and meet additional needs by providing external referrals to resources within the community. The Organization's services for which Centralized Intake makes referrals include: rental or utility assistance, workforce development and job seeker services, food banks, self-sufficiency programs, mobile meals, transportation to medical appointments, and food box deliveries for older adults.

Senior Services - Senior Services provides help to seniors and disabled individuals so that they may continue to live independently in their own homes, without the need for institutional care. Volunteers provide services such as mobile meals, transportation for medical appointments and shopping, reassurance calls, friendly phoning, friendly visiting, small home repairs and business help. The Mobile Meals program provides delivery of fresh nutritious meals each weekday to elderly, physically challenged or convalescing adults who are unable to cook for themselves. This program aims to maintain or restore clients' health or hasten recuperation during convalescence and help clients avoid hospital/nursing home stays. Volunteers use their own vehicles for these services with the exception of a handicap mini-van made possible through a 5310 Transit Grant through the Arizona Department of Transportation. Most services are provided at no cost except for Mobile Meals, which is provided on a sliding-scale fee basis based on ability to pay. More than 60% of Mobile Meals recipients receive full or partially subsidized meals.

Community Health Outreach - The Organization's Community Health Outreach program brings together health facilities, faith communities, and social services to enable individuals to lead healthier lives and help vulnerable individuals in our community to stay healthy. This includes offering training workshops, health advocacy programs, and our advanced care planning and coaching program. The Organization offers several workshops that help increase awareness of mental health and connect individuals to local resources. These training workshops include Mental Health First Aid, Depression and Anxiety in the Elderly, Compassionate Care with Healthy Boundaries, Compassion Fatigue, and Youth Mental Health First Aid.

NOTES TO FINANCIAL STATEMENTS

Organization (continued)

Community Engagement – The Organization partners with many agencies and diverse faith communities in order to respond to low-income, senior and disabled individuals in the greater Tucson area. Activities in this category focus on providing information and communications with these partners, educating them in the services provided and how to refer clients to the Organization. These partners are also essential points of contact for announcing volunteer opportunities since over 1,000 volunteers are integral to all programs. Volunteers are the community connection point for the Organization and the majority of the agency's direct services to clients are carried out by volunteers. As a result, nurturing and supporting the volunteer base is taken very seriously at the Organization. This includes regular orientations for new volunteers, a rigorous registration process which includes background checks, placement and specialized training for the specific assignment. An annual volunteer recognition program is also in place.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions.

In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.

- **With Donor Restrictions** – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time. Net assets with donor restrictions also includes net assets that are subject to donor-imposed stipulations such that assets must be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)
Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions.

Cash and Cash Equivalents
For financial statement reporting purposes, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit (see Note 17). The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk.

Investments
Debt and Equity Securities – Investments are accounted for in accordance with ASC 958-320, *Investments - Debt and Equity Securities*. Investments in debt and equity securities are valued at their fair values in the accompanying statements of financial position. Investment income, gains and losses are reported net of related investment fees in the statements of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Donated investments are recorded at fair value.

The Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. Through June 30, 2024, the Organization has not experienced other-than-temporary impairment losses on its investments.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Government and Foundation Grants Receivable

Government and foundation grants receivable consist principally of uncollateralized amounts due from state and local governments and foundations under contractual agreements. The carrying amount of the receivables is reduced by an allowance for credit losses. The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Organization's existing receivables and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Uncollectible receivables are written off during the year in which they are identified. Recoveries of receivables previously written off are recorded when received.

Allowance for Credit Losses and Doubtful Accounts

The Organization adopted ASC 326, *Financial Instruments—Credit Losses*, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Management determined no allowance for credit losses was deemed necessary for government and foundation grants receivable as of June 30, 2024.

Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectable receivables, however, management determined no allowance for doubtful accounts was necessary for government and foundation grants receivable as of June 30, 2023.

Contributions Receivable

The Organization accounts for contributions receivable to be made in future years as unconditional promises to give in the year the promise is made. Contributions to be received after one year are presented at their discounted present value at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. The fair value amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. All contributions deemed to be uncollectible are written off. As of June 30, 2024 and 2023, management considered all contributions receivable to be collectible, therefore, no allowance for uncollectible promises has been provided.

Food Box Inventory

Food box inventory consists of food and hygiene items donated to the Organization and is valued based on applying a blended average of retail prices per pound.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Beneficial Interests in Funds Held by Others

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization measures the fair value of funds held at the Community Foundation of Southern Arizona (CFSA) and the Jewish Community Foundation of Southern Arizona (JCFSA) using the fair value of the underlying assets. Annual distributions from the funds are reported as investment income. Investment income, gains and losses are reported in the accompanying statements of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

The CFSA and JCFSA on behalf of the Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and its intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-then-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Property and Equipment, Net

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Building leasehold improvements	3 – 40 years
Land leasehold improvements	3 – 15 years
Furniture and equipment	2 – 10 years
Software	3 – 5 years
Vehicles	5 – 7 years

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements and is included in depreciation expense. Acquisitions of property and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of $2,500 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2024, the Organization had not experienced impairment losses on its long-lived assets.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Endowment Funds

The Organization's endowments were established to support, further and enhance the mission of the Organization. The Organization's endowments consist of two funds established under donor restriction and two funds designated by the Board of Directors to function as endowments. These funds are held at various institutions. The donor-restricted Interfaith Community Services endowment and one board-designated quasi endowment are held at a brokerage house. The donor-restricted Founders Endowment is held at CFSA. The second board-designated quasi endowment is held at JCFSA. As required by U.S. GAAP, net assets associated with endowment funds (including funds designated by the Board of Directors to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)
The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or "UPMIFA"), which underlies the Organization's net asset classification of donor-restricted endowment funds, as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the law, at which time those amounts will be reported as net assets without donor restrictions.

Accordingly, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a net average annual total return, over the long term, equal to the change in the consumer price index plus 5%. To satisfy its long-term rate-of-return 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) while assuming a moderate level of investment risk. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization's policy is to distribute the funds in accordance with the instructions of the endowment; in the absence of any specific instructions, all distributions require approval from the board of directors. The Organization has a board-approved spending policy that allows the operating fund to receive and recognize investment earnings originating from the endowment fund. As of June 30, 2024 and 2023, the Board approved spending policy allowed for appropriation equal to 5% of the average value of the endowment over the prior three years. However, the annual amount available for distribution from endowments with donor-restrictions shall not cause the principal amount of the endowment to fall below the original contributions made to the endowment after adjusting for inflation. As a result, the actual amount available to support operations in any one year may be less than 5%.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)
The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless precluded by donor intent or relevant laws and regulations. The Organization did not spend from underwater endowment funds during the year. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 and 2023.

Revenue Recognition
Contributions
Government Grants – The Organization accounts for its government grants by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization recognizes revenue in accordance with ASC 606. Government grants revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Organization recognizes revenue in accordance with ASC 958-605. None of the Organization's government grants revenues were considered exchange transactions for the years ended June 30, 2024 and 2023.

Contributions - Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

- **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

- **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statement of financial position for the amount of funds provided by the donor. Consequently, government funded grants revenue which are considered contributions are recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)
Donated Goods, Facilities and Services – Contributions of donated non-cash assets including goods and facilities are recorded at their fair values on the date the asset is donated. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service. Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. The Organization utilizes the services of many outside volunteers to perform a variety of tasks that assist the Organization. Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP.

Exchange Transactions
The Organization recognizes revenues from exchange transactions in accordance with ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Program Income – Program income primarily consists of fee-for-service services under its Mobile Meals program. Performance obligations are determined based on the nature of the services provided. The Organization recognizes revenues at a point in time when the related services are provided to the customer, which is when the performance obligation is satisfied. The transaction price is the amount of consideration the Organization expects to be entitled. Revenues are based primarily on fixed payment terms involving predetermined rates per service (fee-for-service) and typically do not involve variable consideration.

The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability, such as deferred revenue is also recorded. If revenue is recognized in advance of the right to invoice, a contract asset, such as unbilled receivable is recorded. Program income totaled $54,507 and $51,998 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Certain costs have been allocated between program services and supporting services. Expenses are typically allocated based on a method that is deemed appropriate by management in the manner in which the expense is accrued. Indirect costs are the only expenses that are deemed as administrative by function. Management typically codes expenses to a program, administrative,

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)
fundraising or another shared expense category during the payment process. Share expenses are allocated either by the percentage of staff time within the administrative, fundraising and program categories or based on the (1) square footage allocations or (2) headcount allocation including normal office volunteers.

Shared direct expenses are typically those that are incurred in support of program work and can be allocated by either the salary basis or shared direct expense allocation. Such expenses include employee benefits, employment taxes, occupancy costs, technology, equipment, telephone, postage and office supplies, etc.

Advertising
The Organization expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2024 and 2023 were $943 and $5,894, respectively, and are included in miscellaneous expense on the statements of expenses by function and nature.

Income Tax
The Organization is exempt from federal and state income taxes under the Federal Internal Revenue Code ("IRC") Section 501(c)(3) and Arizona income tax laws and is classified as other than a private foundation under IRC Section 509(a)(1). The Organization also qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a)(vi).

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in management and general expenses in its accompanying financial statements. During the years ended June 30, 2024 and 2023, the Organization did not recognize any interest and penalties.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation, with no effect on net assets.

NOTES TO FINANCIAL STATEMENTS

3. Recent Accounting Pronouncements

Adopted as of June 30, 2024

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Organization adopted ASC 326 and all related subsequent amendments thereto effective July 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. The adoption of ASC 326 and all related subsequent amendments thereto resulted in new disclosures about the Organization's allowance for credit losses and did not materially impact the financial statements and did not result in a cumulative-effect adjustment to opening net assets.

4. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30:

	2024	2023
Cash and cash equivalents	$ 2,036,560	$ 2,418,207
Investments	5,968,853	6,217,328
Government and foundation grants receivable	356,362	147,991
Beneficial interests in funds held by others	56,222	52,712
Total financial assets	8,417,997	8,836,238
Less amounts unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions		
Endowment funds	3,223,962	3,201,762
Other donor restrictions	1,656,341	1,459,941
Board designations		
Board-designated quasi-endowment	1,627,469	2,078,974
Financial assets available to meet cash needs for general expenditures within one year	$ 1,910,225	$ 2,095,561

NOTES TO FINANCIAL STATEMENTS

Liquidity and Availability of Resources (continued)

The Organization follows their Operating Reserve Policy for managing and monitoring the availability of financial resources required to meet current operating needs. The Organization's Finance Committee has established that the goal for reserves should be at least three to six months of average cash operational expenses. Average operational monthly expenses are defined as 12 months of actual expenses (less depreciation, direct-aid grants, and accrued leave) divided by twelve.

The Organization's financial working capital and cash flows have seasonal variations during the year attributable primarily to the timing of cash receipts and a concentration of contributions received near calendar year-end. To manage liquidity, the Organization maintains a line of credit of $1.5 million with a bank that is drawn upon as needed during the year to manage cash flow and is repaid in full as soon as possible.

5. In-kind Contribution Receivable – Land Lease

The Organization leases land from a member church for $1 per year with a value of $9,840 per year. The lease, which is dated August 2009, has an initial term of 20 years and is renewable at the option of the Organization for an additional 20 years. At the signing of the lease, the Organization reported the fair value of the contribution and a corresponding contribution receivable. Fair value was calculated by discounting the estimated annual fair rental value of $9,840 for twenty years at an estimated risk-free rate of 5%. Each year thereafter, the receivable is reduced by rent expense and is increased by annual discount amortization, which is reported as in-kind contribution revenue in the statements of activities.

In-kind contributions receivable related to the land lease were as follows at June 30:

	2024	2023
In-kind contribution receivable	$ 50,494	$ 60,334
Less discount to present value at 5%	(6,458)	(9,001)
	44,036	51,333
Less current portion of in-kind contribution receivable	(9,840)	(9,840)
Long-term portion of in-kind contribution receivable	$ 34,196	$ 41,493

A schedule of future in-kind rent expense at June 30, 2024 follows:

In-kind rent expense to be recognized during the year ending June30	Amount
2025	$ 9,840
2026	9,840
2027	9,840
2028	9,840
2029	9,840
Thereafter	1,294
	$ 50,494

See Note13 for additional information regarding the in-kind contribution for the land lease.

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments are stated at fair value and consist of the following as of June 30:

		2024		2023
Mutual funds	$	2,667,756	$	3,548,708
Exchange traded funds		3,301,097		2,668,620
Total investments	$	5,968,853	$	6,217,328

Investment income, net related to the Organization's investments consists of the following for the years ended of June 30:

		2024		2023
Interest and dividend income	$	214,865	$	220,185
Realized and unrealized gain on investments, net		632,598		354,842
Change in value of beneficial interest		4,552		3,132
Investment fees		(31,761)		(28,587)
Total investment income, net	$	820,254	$	549,572

7. Fair Value Measurements

The Organization utilizes the fair value hierarchy required by ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization's financial assets are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using readily determinable fair values or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on readily determinable fair values in active markets include the Organization's mutual funds and exchange traded funds. Such instruments are classified within Level 1 of the fair value hierarchy.

The investments held at the CFSA and JCFSA are categorized as Level 3 due to the lack of a market in which the Organization's units of participation in CFSA and JCFSA's pooled investments could be bought or sold. The Organization measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets, which are primarily mutual funds.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2024:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Domestic equity	$ 1,115,899	$ 1,115,899	$ -	$ -
International equity	723,744	723,744	-	-
Domestic bonds	565,746	565,746	-	-
Commodities	262,367	262,367	-	-
	2,667,756	2,667,756	-	-
Exchange Traded Funds				
Domestic equity	1,628,094	1,628,094	-	-
International equity	592,440	592,440	-	-
Domestic bonds	940,773	940,773	-	-
Real Estate Investment Trusts	139,790	139,790	-	-
	3,301,097	3,301,097	-	-
Beneficial interest in funds held by others	56,222	-	-	56,222
Total Investments	$ 6,025,075	$ 5,968,853	$ -	$ 56,222

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2023:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Domestic equity	$ 1,196,281	$ 1,196,281	$ -	$ -
International equity	763,895	763,895	-	-
Domestic bonds	1,336,581	1,336,581	-	-
Commodities	251,951	251,951	-	-
	3,548,708	3,548,708	-	-
Exchange Traded Funds				
Domestic equity	1,757,534	1,757,534	-	-
International equity	627,467	627,467	-	-
Domestic bonds	162,533	162,533	-	-
Real Estate Investment Trusts	121,086	121,086	-	-
	2,668,620	2,668,620	-	-
Beneficial interest in funds held by others	52,712	-	-	52,712
Total Investments	$ 6,270,040	$ 6,217,328	$ -	$ 52,712

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets measured at fair value on a recurring basis for the years ended June 30:

	2024	2023
Fair value as of July 1	$ 52,712	$ 50,636
Investment gain included in change in net assets	5,151	3,701
Fees	(600)	(569)
Distributions	(1,041)	(1,056)
Fair value as of June 30	$ 56,222	$ 52,712

8. Property and Equipment, Net

Property and equipment, net consist of the following as of June 30:

	2024	2023
Leasehold improvements		
Building improvements	$ 2,229,220	$ 2,041,716
Land improvements	116,339	108,839
Furniture and equipment	110,555	84,430
Software	86,440	86,440
Vehicles	313,088	318,121
Construction in progress	321,763	73,313
	3,177,405	2,712,859
Less accumulated depreciation	(1,224,880)	(1,071,528)
Property and equipment, net	$ 1,952,525	$ 1,641,331

9. Line of Credit

In December 2023, the Organization entered into a line of credit agreement with a financial institution for an original amount of $1,500,000 which matures in December 2025. Under the most recent renewal, the line of credit requires monthly interest only payments with interest at the Prime Rate (8.5% at June 30, 2024) with a floor of 8.5%. The line of credit had no outstanding balance as of June 30, 2024.

10. Net Assets With Board Designations

The Board may designate net assets without donor restriction for use in future periods, for specific purposes or projects, or may invest the funds in order to provide for long-term returns to support the operations of the Organization, similar to an endowment established by a donor. These designations may be amended or rescinded in the future by approval of the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

Net Assets With Board Designations (continued)

Net assets without donor restrictions that have been designated by the Board of Directors to function as an endowment or for a specific purpose consisted of the following as of:

	2024	2023
Board-designated quasi endowment	$ 1,627,469	$ 2,078,974
Total	$ 1,627,469	$ 2,078,974

11. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2024	2023
Subject to passage of time:		
For periods after June 30, 2024 and 2023, respectively	$ 44,036	$ 111,333
Subject to expenditure for specified purpose:		
Community health outreach	48,258	64,562
Building fund	270,000	200,000
Single mom scholars	105,579	105,579
	423,837	370,141
Subject to the Organization’s spending policy and appropriation:		
Original donor-restricted endowment gift amounts required to be maintained by donor		
Interfaith Community Services Endowment	3,202,645	3,180,445
Founders Endowment	21,317	21,317
	3,223,962	3,201,762
Accumulated investment earnings, which, once appropriated, are expendable to support		
Interfaith Community Services Endowment	1,227,159	1,025,434
Founders Endowment	5,345	4,366
	1,232,504	1,029,800
Total	$ 4,924,339	$ 4,713,036

NOTES TO FINANCIAL STATEMENTS

12. Endowment Funds

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	$ 2,078,974	$ 4,231,562	$ 6,310,536
Investment return			
Investment income	51,943	98,351	150,294
Net appreciation	228,369	409,792	638,161
Total investment return	280,312	508,143	788,455
Contributions	304,397	22,200	326,597
Appropriation of funds for expenditure	(1,036,214)	(305,439)	(1,341,653)
Endowment net assets, June 30, 2024	$ 1,627,469	$ 4,456,466	$ 6,083,935

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 1,645,530	$ 4,120,411	$ 5,765,941
Investment return			
Investment income	60,792	129,779	190,571
Net depreciation	104,015	246,023	350,038
Total investment return	164,807	375,802	540,609
Contributions	268,637	5,042	273,679
Appropriation of funds for expenditure	-	(269,693)	(269,693)
Endowment net assets, June 30, 2023	$ 2,078,974	$ 4,231,562	$ 6,310,536

Donor-restricted endowment funds are held in the following financial assets reported on the statements of financial position as of June 30:

	2024	2023
Investments	$ 4,429,803	$ 4,205,878
Beneficial interest in funds held by others	26,663	25,684
Total financial assets	$ 4,456,466	$ 4,231,562

NOTES TO FINANCIAL STATEMENTS

13. In-Kind Contributions

The Organization received in-kind contributions which are reported as follows for the years ended June 30:

	2024	2023
Food boxes	$ 3,135,640	$ 3,171,569
Shelter assistance	-	349,055
Utility assistance	-	318,831
Volunteer mileage	149,134	159,188
Mobile Meals	7,939	-
Other client expenses	25,475	13,709
Lease expense	80,688	80,688
Land lease expense, net of change in in-kind contribution receivable	2,543	2,891
Direct donor benefit costs	51,564	61,132
Miscellaneous	418	1,540
	$ 3,453,401	$ 4,158,603

For the years ended June 30, 2024 and 2023, the Organization recognized contributed nonfinancial assets within revenue, including contributed food boxes, shelter and utility assistance, volunteer mileage, other client expenses, lease and land lease expenses, direct donor benefits costs, and miscellaneous items. Unless otherwise noted, contributed nonfinancial assets were not monetized and did not have donor-imposed restrictions.

Food Boxes – The Organization receives donated food boxes through its partnership with the Community Food Bank of Southern Arizona, which are then distributed as emergency food boxes to low-income seniors as well as individuals and families in need as part of its Food Bank program. Donated food boxes are valued based on applying a blended average of retail prices per pound.

Shelter and Utility Assistance - The Organization provides assistance to clients needing shelter and utility assistance as part of its Emergency Financial Assistance programs by preparing a case for submittal to the appropriate funding entity. The Organization interviews the client, determines qualifications, prepares the case and submits the case to the funding entity. Upon approval of the case, the funding entity (usually a government) pays the applicable landlord or utility company directly and the amount paid is used to record the amount of in-kind donation recorded by the Organization.

Volunteer Mileage – The Organization utilizes volunteers to deliver meals or transportation to its Caregiving and Senior Services program clients. These volunteers also typically use their own vehicles and do not obtain reimbursement for mileage incurred. Volunteer mileage is recorded based on the number of miles incurred multiplied by the IRS standard mileage rate.

Mobile Meals – The Organization receives donated meal trays for Mobile Meals participants from a community partner as part of its Senior Services program. Participants receive one additional meal per week, in addition to the meals they are scheduled to receive. Donated meal trays are valued at the cost per tray that the Organization typically pays the community partner.

NOTES TO FINANCIAL STATEMENTS

In-Kind Contributions (continued)

Other Client Expenses – The Organization receives donated items such as holiday gifts, household items, medical equipment, children's toys and books, handmade items such as blankets and clothing, and gift cards, which are provided to its clients as part of its Emergency Financial Assistance, Self Sufficiency, and Senior Services programs. Other client expenses are valued based on the quantity of items received and the value claimed by the donor.

Lease and Land Lease Expense – The Organization occupies land and space in a building owned by a related party (see Notes 5 and 16) at little to no cost per year. Lease and land lease expense are valued based on comparable market rates and allocated to the Organization's programs based on square footage.

Direct Donor Benefit Costs – The Organization receives donated items such as supplies for events, including silent auction goods which are used to generate additional contributions to the Organization as part of its fundraising activities. Direct donor benefit costs are valued based on the quantity of items received and the value claimed by the donor.

Miscellaneous – The Organization receives miscellaneous donated items such as printing supplies, which are used by the Organization primarily in its management and general activities. Miscellaneous items are valued based on the quantity of items received and an online comparison of the sales price for similar items.

14. Leases

In December 2023, the Organization entered into a 5-year operating lease agreement for office equipment. The Organization also leases office equipment under month-to-month leases and certain non-cancelable operating leases expiring within one year. Some leases may include one or more options to renew, generally at the Organization's sole discretion. In addition, certain leases may contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

The components of lease cost are as follows for the year ended June 30:

	2024	2023
Operating lease cost	$ 3,584	$ -
Short-term lease cost	24,332	22,844
Total lease cost	$ 27,916	$ 22,844

NOTES TO FINANCIAL STATEMENTS

Leases (continued)

Supplemental balance sheet information related to leases is as follows as of June 30:

	2024	2023
Operating leases:		
Operating lease right-of-use asset	$ 29,610	$ -
Operating lease liability, current	$ 6,158	$ -
Operating lease liability, long-term	23,560	-
Total operating lease liabilities	$ 29,718	$ -
Weighted-average remaining lease term:		
Operating lease	4.5 years	n/a
Weighted-average discount rate:		
Operating lease	3.93%	n/a

The following is a summary of future minimum lease payments under non-cancelable operating leases as of June 30, 2024:

Year Ending June 30,		Operating Leases
2025		$ 7,193
2026		7,193
2027		7,193
2028		7,193
2029		3,596
	Total lease payments	32,368
	Less imputed interest	(2,650)
	Total present value of lease liabilities	29,718
	Less Lease liability, current	(6,158)
	Lease liability, non-current	$ 23,560

15. Retirement Plan

The Organization has a 403(B) plan. The plan is managed by Ascensus and features 403(B) and Roth 403(B) options for employees. Both plans had the same requirements for employee eligibility and matching. To be eligible, employees must receive or be expected to receive at least $5,000 in compensation annually and have completed 30 days' service. The Organization matches employee contributions up to 3% of annual compensation. Retirement expense for the years ended June 30, 2024 and 2023 was $64,099 and $46,789, respectively.

NOTES TO FINANCIAL STATEMENTS

16. Related Party Transactions

For the years ended June 30, 2024 and 2023, the Organization occupied space in two buildings owned by member churches provided on a year-to-year or short-term basis at minimal or no cost per year with a value of $80,688, respectively. See Note 13.

17. Concentrations of Credit Risk

Cash Deposits at Banks
Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to $250,000. As of June 30, 2023, and 2022, the Organization had $5,340 and $0 in excess of FDIC insured limits, respectively.

Investments
Investments held by other institutions are insured up to $500,000, including up to $250,000 for cash balances per institution, by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2024 and 2023, the Organization had $5,468,760 and $5,690,218, respectively, in excess of SIPC insured limits.

18. Subsequent Events

The Organization evaluated subsequent events through October 22, 2024, which represents the date the financial statements were available to be issued, and concluded that no additional disclosures are required.