

**INTERFAITH HOSPITALITY
NETWORK OF SPOKANE, INC.**
(A Non-Profit Organization)
Spokane, Washington

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**
June 30, 2019

Interfaith Hospitality Network of Spokane, Inc.
(A Non-Profit Organization)
Spokane, Washington

AUDITED FINANCIAL STATEMENTS
June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Interfaith Hospitality Network of Spokane, Inc.
Spokane, WA

Report on the Financial Statements

We have audited the accompanying financial statement of Interfaith Hospitality Network of Spokane, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial presentation of the 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 financial position of Interfaith Hospitality Network of Spokane, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2019, on our consideration of Interfaith Hospitality Network of Spokane, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interfaith Hospitality Network of Spokane, Inc.'s internal control over financial reporting and compliance.

Schaefer & Schaefer CPAs PLLC

Spokane, Washington
December 28, 2019

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Non-Profit Organization)
Spokane, Washington

STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

<u>ASSETS</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 66,434	\$ 128,605	\$ 195,039
Prepaid expenses and other current assets	7,513	-	7,513
Grant receivable	70,049	-	70,049
Pledges receivable	9,476	-	9,476
Short-term guest loan receivable	142	-	142
Escrow reserve	1,240	-	1,240
Tenant security deposits	1,200	-	1,200
Total current assets	156,054	128,605	284,659
 PROPERTY AND EQUIPMENT, NET	 1,674,824	 12,027	 1,686,851
 TOTAL ASSETS	 \$ 1,830,878	 \$ 140,632	 \$ 1,971,510
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 4,600	\$ -	\$ 4,600
Accrued wages and deferred compensation	23,368	-	23,368
Accrued payroll taxes and benefits	16,358	-	16,358
Line of credit payable	365,988	-	365,988
Tenant security deposits	1,200	-	1,200
Mortgage payable, current	4,608	-	4,608
Total current liabilities	416,122	-	416,122
 LONG TERM LIABILITIES:			-
Mortgage payable, noncurrent	199,079	-	199,079
 TOTAL LIABILITIES	 615,201	 -	 615,201
 NET ASSETS	 1,215,677	 140,632	 1,356,309
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,830,878	 \$ 140,632	 \$ 1,971,510

See accompanying independent auditor's report and notes to financial statements.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Non-Profit Organization)
Spokane, Washington

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND OTHER REVENUE:			
Contributions, grants, and donations	\$ 239,553	\$ -	\$ 239,553
Government grants	-	1,555,232	1,555,232
Fundraising events, net of direct expenses	118,602	-	118,602
In-Kind contributions	91,948	-	91,948
Miscellaneous income	14,597	-	14,597
Gain (loss) on disposal of assets	2,027	-	2,027
Interest income	79	-	79
Total support and revenue	466,806	1,555,232	2,022,038
NET ASSETS RELEASED FROM RESTRICTIONS:			
Satisfaction of restrictions and designations	1,550,558	(1,550,558)	-
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS	2,017,364	4,674	2,022,038
EXPENSES:			
Program services	605,437	-	605,437
Management and general	232,551	-	232,551
Fundraising	79,473	-	79,473
Total expenses	917,461	-	917,461
CHANGE IN NET ASSETS	1,099,903	4,674	1,104,577
NET ASSETS, beginning of year	115,774	135,958	251,732
NET ASSETS, end of year	\$ 1,215,677	\$ 140,632	\$ 1,356,309

See accompanying independent auditor's report and notes to financial statements

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Non-Profit Organization)
Spokane, Washington

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES:				
Salaries, wages, and taxes	\$ 319,572	\$ 192,998	\$ 71,322	\$ 583,892
Other employee expenses	5,380	-	-	5,380
Rent	34,508	-	-	34,508
Utilities	33,464	1,441	126	35,031
Repairs, maintenance, and grounds	8,530	590	50	9,170
Security and telephone	1,088	3,031	255	4,374
Insurance	7,521	1,967	-	9,488
Office supplies	4,380	4,922	1,808	11,110
Other administration expenses	8	652	701	1,361
Furniture and equipment	8,056	-	-	8,056
Accounting and professional fees	-	13,072	-	13,072
Dues and subscriptions	-	8,776	-	8,776
Volunteer expenses	2,112	-	-	2,112
Training and education	567	-	1,029	1,596
Depreciation	28,002	-	-	28,002
Guest expenses	119,397	-	-	119,397
Affiliate fee	-	1,500	-	1,500
Program supplies and furnishings	13,092	-	-	13,092
Transportation	8,348	1,473	-	9,821
Development expenses	-	-	615	615
Uncollectible accounts	427	-	-	427
Taxes and licenses	87	8	3,352	3,447
Interest expense	10,875	2,121	184	13,180
Miscellaneous expenses	23	-	31	54
TOTAL EXPENSES	\$ 605,437	\$ 232,551	\$ 79,473	\$ 917,461

See accompanying independent auditor's report and notes to financial statements

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Non-Profit Organization)
Spokane, Washington

STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,104,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	28,002
Gain on disposal of assets	(2,027)
Net (increase) decrease in:	
Pledges receivable	34,024
Grants receivable	28,311
Other current assets	(1,767)
Net increase (decrease) in:	
Accounts payable	(5,830)
Accrued wages and related expenses	20,921
Net cash flows from (used by) operating activities	1,206,211

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment, leasehold improvement	(1,415,207)
Proceeds from repaid guest loans	517
Net cash flows from (used by) investing activities	(1,414,690)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from line of credit, net	365,326
Principal payments on mortgage loans	(4,321)
Net cash flows from (used by) financing activities	361,005

NET CHANGE IN CASH AND EQUIVALENTS 152,526

CASH AND EQUIVALENTS - Beginning of year 42,513

CASH AND EQUIVALENTS - End of year \$ 195,039

OTHER INFORMATION:

Cash paid for interest	\$ 13,180
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See accompanying independent auditor's report and notes to financial statements

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS:

Organization and Nature of Operations - The Interfaith Hospitality Network of Spokane (“IHNS” or the “Organization”) is a non-profit organization incorporated under the laws of the State of Washington

IHNS is also known as Family Promise of Spokane and Open Doors. IHNS operates four primary programs known as Open Doors, Bridges, Village, and Neighbors and serves the community in the Spokane and Spokane Valley areas. Open Doors operates a 24/7 low-barrier shelter for homeless families. Bridges partners with area churches to provide critical support services to homeless families, including overnight shelter, meals, and transportation. Village provides aftercare to prior Bridges and Open Door families transitioned into permanent housing, and Neighbors provides financial rental assistance to families in danger of losing their housing. The majority of the Organization’s support comes from government grants and individual, corporate, and congregation contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The summary of significant accounting policies of IHNS are presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the financial statements.

Basis of Accounting - IHNS’s accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation - In accordance with generally accepted accounting principles, the Association is required to report information regarding its financial position and activities according to two classes of net assets (net assets with restrictions and net assets without restrictions) based upon the existence or absence of donor-imposed restrictions.

Estimates - The preparation of the 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and the allocation of functional expenses.

Classification of Net Assets - Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Net Assets without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions - Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Fair Value of Financial Instruments - The carrying value of the Organization's grants and other receivables, prepaid expenses, accounts payable, accrued liabilities, and deferred revenue, approximates fair value because of the short-term maturity of those instruments.

Cash and Cash Equivalents - Cash and cash equivalents include all highly liquid investments with maturities of three months or less at the time of purchase.

Accounts Receivable - Interfaith Hospitality Network of Spokane considers accounts and grants receivable to be fully collectible. Accordingly, management has set the allowance for doubtful accounts at zero. No receivables are collateralized. As of June 30, 2019 accounts receivable aged over 90 days totaled \$324.

Property, Equipment, and Leasehold Improvements - Property, equipment, and leasehold improvements are stated at cost, or, if received as a contribution, at the fair value on the date of receipt. It is the Organization's policy to capitalize all significant expenditures in excess of \$1,000 for all items with a useful life in excess of one year. While improvements are capitalized, maintenance and repairs are expensed as incurred.

Depreciation is computed on the straight-line method and accelerated methods. The estimated service life of the assets for depreciation purposes may ultimately be different than their actual economic useful life:

	<u>Estimated Life</u>
Buildings and building structures	39 years
Improvements	7-39 years
Furniture, equipment, and other assets	5-10 years

Contributions - All contributions are considered to be without donor restriction unless specifically restricted by the donor. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as released from restriction.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Donated Services and Products - Donated goods are reflected as contributions in the accompanying statements at their fair market values at the date of receipts. During the year ended June 30, 2019 there were approximately \$25,008 of donated goods and services for program services.

In addition, about thirty-five (35) area churches provide overnight accommodations and three meals a day on a rotating basis, for the benefit of the families served by IHNS. In-kind accommodations and meals totaled \$32,336 for the year ended June 30, 2019.

Donated services, specifically related to program operations and which create or enhance non-financial assets or require specialized skills, are recorded at their fair values in the period received based upon actual hours provided at a wage rate applicable to the operation being performed. During the year ending June 30, 2019 there was \$34,604 of donated services meeting this definition.

IHNS receives a substantial amount of donated services in carrying out the Organization's purpose. During the year ended June 30, 2019 there were over 10,600 unpaid volunteer labor hours provided for program and fundraising services. No amounts have been recognized in the Statements of Activities for these volunteer services since they neither create nor enhance non-financial assets nor do they require specialized skills.

Gains and Losses - All gains and losses from the sale, collection or other disposition of investments and non-cash assets are accounted for in the fund that owned the asset.

Income Tax Status - IHNS is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for income taxes have been made in these financial statements. The Organization is subject to audit or examination by various regulatory jurisdictions.

Compensated Absences - IHNS recognizes the costs of compensated absences for employees who have satisfied specific company requirements regarding the length of service. The Center is obligated to provide benefits to employees or cash upon termination of employment for accumulated vacation.

Bad Debts and Uncollectible Grants/Pledges - IHNS considers all grant and other accounts receivable to be fully collectible. Accordingly, management estimates the allowance for doubtful accounts to be \$-0-. Uncollectible accounts, if any, are expensed in the year they are deemed uncollectible.

Functional Allocation of Expenses - The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly, according to their natural expenditure classification. Other expenses that are

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

common to several functions are allocated according to the approved cost allocation plan.

Recent Accounting Standard Updates - Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, is effective for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The amendments in this ASU are intended to improve financial statement presentation for not-for-profit organizations. Topics within ASU 2016-014 affecting the Organization include net asset classification, information about liquidity and availability of funds, expense presentation, and statement of cash flow presentation.

ASU 2016-014 requires net assets to be classified as either with restrictions or without restrictions in addition to more detailed disclosure regarding specific restrictions and board designations, as applicable.

ASU 2016-014 requires disclosure improving the financial statement user's ability to assess the not-for-profit's available financial resources and liquidity. Disclosure is required of both quantitative and qualitative information about the availability of and how the not-for-profit manages its liquid available resources to meet its cash needs for general expenditures within one year of the balance sheet date. See Note 13.

In order to make information about expenses more comparable and useful, ASU 2016-014 requires all not-for-profits to provide information about operating expenses by both nature and function. This new requirement is not a change for the Organization since all expenses are expenses of the Organization (i.e. function).

ASU 2016-014 provides the option of presenting the direct or indirect method Statement of Cash Flows. The Organization has elected to present this statement using the indirect method.

Advertising - Advertising costs are expensed as incurred.

Date of Management Review - Management has evaluated subsequent events through December 28, 2019, the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS AND PLEDGES RECEIVABLE:

Pledges receivable represent promises to give which have been made by donors or grantors but have not yet been received by the Organization. Pledges receivable are expected to be collected within the next year. Accordingly, no allowance for uncollectible pledges has been provided.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - CONTRIBUTIONS AND PLEDGES RECEIVABLE (Continued):

Grants and pledges receivable, as of June 30, 2019, consist of the following:

ESGP grant receivable	\$ 70,049
Pledges receivable	<u>9,476</u>
Total	<u>\$ 79,525</u>

NOTE 4 - PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS:

Property, equipment, and leasehold improvements consist of the following:

Land	\$ 255,000
Building	1,259,111
Leasehold improvements	33,648
Furnishings	76,401
Vehicles and trailers	1,200
Construction in Progress	<u>142,495</u>
Total	1,767,855
Less: Accumulated depreciation	<u>(81,004)</u>
Net property and equipment	<u>\$ 1,686,851</u>

Some assets were purchased using grant funds, including the storage container and lockers which used CDBG funds during 2017. There are some restrictions on the disposal of those assets should they no longer be usable for program or administrative needs. In some instances, the assets need to be returned to the grantor. The cost basis of these assets total \$12,027 for the year ended June 30, 2019.

NOTE 5 - CREDIT CARDS:

The Organization maintains multiple credit card accounts, which are provided to key personnel, at three different banks. Total available credit is \$15,000. The combined balances of the accounts are included in accounts payable on the Statement of Financial Position.

NOTE 6 - COMPENSATED ABSENCES:

The Organization offers three types of compensated time off: Paid Time-Off (PTO), Vacation-time, and Sick-time. Part time staff earn 1 hour of PTO, which includes their paid sick time off, for every forty (40) hours of work, and they are eligible to utilize this time upon having been.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - COMPENSATED ABSENCES (Continued):

employed for at least ninety (90) days. Full time staff do not earn PTO but rather earn separate compensated vacation-time and sick-time, and they are eligible to utilize this time upon having been employed for at least ninety (90) days. Full time staff earn vacation-time based on individual arrangements and sick-time at one hour for every forty (40) hours worked.

Accrued PTO and vacation time is payable to employees upon their termination. Accrued sick-time is not payable to employees upon their termination. Accrued vacation and paid time-off in the amount of \$9,925, and is included in accrued payroll on the Statement of Financial Position as of June 30, 2019.

NOTE 7 - LINES OF CREDIT:

The Organization was approved for a \$315,000 line of credit with Washington Trust Bank at an interest rate of 4.0%, and used \$301,817 on March 13, 2019 towards the purchase of the property and building on 2002 East Mission Ave. The Organization made monthly, interest only, payments until the line of credit's maturity on March 20, 2020. As of June 30, 2019 the balance of the line of credit is \$301,817.

The Organization was approved for a \$398,031 construction line of credit with Washington Trust Bank at an interest rate of 4.0%. The line of credit matures on April 18, 2024. As of June 30, 2019 the balance of the line of credit is \$64,171.

NOTE 8 - MORTGAGE PAYABLE:

The mortgage note, payable to Kurt Burgan and Irene C. Wixted, is payable at \$1,140 per month, including interest at 4.5%, collateralized by substantially all of the real property. Additional payments of \$124 are paid towards escrow reserves.

Future maturities of the mortgage payable are as follows:

Years Ended June 30,		
2020	\$	4,608
2021		4,820
2022		5,041
2023		5,273
2024		5,515
Thereafter		178,430
	\$	<u>203,687</u>

Interest expense for the year ending June 30, 2019 was \$13,180.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
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Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - AFFILIATED AGENCY:

IHNS is in an agreement with Family Promise and is also known as Family Promise of Spokane under this agreement. IHNS pays an affiliate fee annually which totaled \$1,500 for the year ending June 30, 2019.

NOTE 10 - NET ASSETS WITH RESTRICTIONS:

Net assets with restrictions are available for the following purposes as of June 30, 2019:

ESPG Grant funds received in advance	\$	11,522
Open Doors Program		12,697
Rental assistance		2,528
Mental Health Coordinator		50,000
Trauma-Informed Care Training		8,500
Windermere Emergency Program (Family Services)		2,357
Building - Cassano's		32,732
Building - other		2,585
Kids Camp		1,290
Pets with a Promise		2,031
Fixed assets restricted for use		12,027
Other small categories		2,363
Total net assets with restrictions	\$	140,632

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or by meeting a time restriction. Net assets released from restriction for the year ending June 30, 2019 were \$1,550,558.

NOTE 11 - CONCENTRATIONS:

Approximately 46% of the Organization's revenue is derived from Federal grants passed through from the City or County of Spokane, which are renewed annually. The current level of the Organization's operations and program services may be impacted or segments discontinued if funding is not renewed. This calculation excludes a one-time receipt of \$950,000 in CDBG funds for the purchase of a building.

As of June 30, 2019, the Organization's grants receivable consisted of 88% from the City of Spokane Community, Housing, and Human Services Department (ESGP). As of the date of this report, the entire balance has been received by IHNS. See Note 3.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 - FUNDRAISING EVENTS:

IHNS raises funds through an annual Gala, theater, and silent auction, and several other events. Income generated from events is recorded as contribution income and direct expenses are included with fundraising income on the Statement of Activities. Certain donations provided are restricted as to purpose and are included in the Statement of Activities and Changes in Net Assets.

The event income and expenses are summarized as follows:

Gala	\$ 93,783
Civic Theater and auction	16,092
Souper Bowl	3,371
Appeal	33,284
Other events	<u>879</u>
Subtotal fundraising income from events	147,409
Fundraising direct expenses	<u>(28,807)</u>
Net fundraising income	<u>\$ 118,602</u>

NOTE 13 - LIQUIDITY & AVAILABILITY:

The organization has \$274,706 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of cash of \$195,039 and \$79,677 of accounts receivable. Of the \$274,706 in cash, \$128,605 is subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position. Therefore, \$146,101 is available for general expenditure within one year of the statement of financial position.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019

<u>Federal Grantor</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Office of Housing			
CDBG Building Acquisition	N/A	14.218	\$ 950,000
U.S. Department of Homeland Security			
Emergency Food & Shelter Program	N/A	97.024	\$ <u>6,718</u>
			<u>\$ 956,718</u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Interfaith Hospitality Network of Spokane, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Interfaith Hospitality Network of Spokane, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Interfaith Hospitality Network of Spokane, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATES:

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance for all programs.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Board of Directors
Interfaith Hospitality Network of Spokane, Inc.
Spokane, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Interfaith Hospitality Network of Spokane, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (Continued)

on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of the report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schoedel & Schoedel

SCHOEDEL & SCHOEDEL, CPAs, PLLC
December 28, 2019

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors
Interfaith Hospitality Network of Spokane, Inc.
Spokane, Washington

Report on Compliance for Each Major Federal Program

We have audited Interfaith Hospitality Network of Spokane, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Interfaith Hospitality Network of Spokane, Inc.'s major federal programs for the year ended June 30, 2019. Interfaith Hospitality Network of Spokane, Inc. major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Interfaith Hospitality Network of Spokane, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could be a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
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Spokane, Washington

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE (Continued)

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Schoedel & Schoedel

SCHOEDEL & SCHOEDEL, CPAs, PLLC
December 28, 2019

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Interfaith Hospitality Network of Spokane, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Interfaith Hospitality Network of Spokane, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Interfaith Hospitality Network of Spokane, Inc. express an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested at major programs was: CDBG Building Acquisition, CFDA No. 14.218.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Interfaith Hospitality Network of Spokane, Inc. was determined to be a high-risk auditee. Organizations that have not had a single audit in each of the previous two years are automatically determined to be high risk. Fiscal year ending June 30, 2019 was the first year in which Interfaith Hospitality Network of Spokane, Inc. had met the threshold for a single audit.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTION COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
(A Not-for-Profit Organization)
Spokane, Washington

CORRECTIVE ACTION PLAN
June 30, 2019

None required for the fiscal year ending June 30, 2019.

INTERFAITH HOSPITALITY NETWORK OF SPOKANE, INC.
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Spokane, Washington

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS
June 30, 2019

Current year: There are no current year findings or recommendations.

Prior year: There are no prior year findings or recommendations.