

INTERFAITH SOCIAL SERVICES, INC.

QUINCY, MASSACHUSETTS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2017

CAMPBELL, DEVASTO & ASSOCIATES - CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors of
Interfaith Social Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Social Services, Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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. 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 entity'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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Social Services, Inc. as of June 30, 2017 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brighton, Massachusetts
September 5, 2017

INTERFAITH SOCIAL SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

Assets:

Cash		\$	248,005
Inventory			44,652
Fees and Pledges Receivable			7,158
Prepaid Insurance			1,556
Prepaid - Other			<u>20,503</u>
 Total Current Assets			 321,874
 Investments			 132,318
Fixed Assets at Cost:			
Land	\$		50,000
Buildings			515,212
Building Improvements			286,203
Office Furniture, Equipment & Software			<u>95,389</u>
			946,804
Less: Allowance for Depreciation			<u>(295,036)</u> <u>651,768</u>
 Total Long Term Assets			 <u>784,086</u>
 Total Assets			 <u>\$ 1,105,960</u>

Liabilities and Net Assets:

Liabilities:

Accounts Payable		\$	15,828
Profit Sharing Payable			157
Taxes Payable			4,249
Accrued Vacation			19,522
Deferred Revenue			<u>19,875</u>
Total Current Liabilities			59,631

Net Assets:

Unrestricted			1,039,255
Temporarily Restricted			<u>7,074</u>
Total Net Assets			<u>1,046,329</u>

			<u>\$ 1,105,960</u>
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See accountants' audit report and accompanying notes

INTERFAITH SOCIAL SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

Changes in Unrestricted Net Assets:

Support:

Individuals	\$ 69,115
Churches	39,652
Organizations & Businesses	5,578
Foundation Grants	188,485
Donated Goods & Services	958,755
Bureau Drawer Thrift Shop	101,453
Fundraising Events Contributions	265,298
Fundraising Events Contributions - In Kind	8,135
Net Assets Released from Restrictions Due to Satisfaction of Program Restrictions	<u>6,377</u>
Total Support	1,642,848

Revenue:

Program Service Fees	67,936
Fundraising Events Revenue	\$ 169,866
Fundraising Events Direct Benefits to Donors	<u>126,443</u> 43,423
Interest	444
Miscellaneous Income	<u>11,835</u>
Total Revenue	123,638
Total Support & Revenue	1,766,486

Expenditures: (See schedule)

Program Services	
Counseling	176,301
Financial Assistance	106,260
Food Pantry	1,135,677
Bureau Drawer	<u>37,308</u>
Total Program Services	1,455,546

Supporting Services:

Management and General	108,747
Fundraising	<u>123,343</u>
Total Supporting Services	<u>232,090</u>

Total Expenditures 1,687,636

Increase (decrease) in Unrestricted Net Assets 78,850

Changes in Temporarily Restricted Net Assets:

Grants and Contributions for Future Activities	0
Net Assets Released from Restrictions	<u>(6,377)</u>
Increase (decrease) in Temporarily Restricted Net Assets	<u>(6,377)</u>

Increase (Decrease) in Net Assets 72,473

Net Assets at Beginning of Year 973,856

Net Assets at End of Year \$ 1,046,329

See accountants' audit report and accompanying notes

**INTERFAITH SOCIAL SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$ 72,473
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used in) Operating Activities:	
Interest Certificates of Deposit and Savings Accounts	(375)
Depreciation	33,480
Uncollectible Accounts	1,681
Realized (Gain) on Equipment Disposal	1,700
Decrease (Increase) in Operating Assets:	
Fees and Pledges Receivable	(6,144)
Prepaid Expenses	6,990
Inventory	(12,202)
Increase (decrease) in Operating Liabilities:	
Accounts Payable	6,771
Deferred Revenue	5,059
Profit Sharing Payable	(104)
Payroll Taxes Payable	2,847
Accrued Vacation	<u>6</u>
Total Adjustments	<u>39,709</u>
Net Cash Provided by (Used in) Operating Activities	112,182
Cash Flows from Investing Activities	
Capital Expenditures	<u>(23,851)</u>
Net Cash Provided By (Used In) Investing Activities	(23,851)
Cash Flows from Financing Activities	
Net Cash Provided By (Used In) Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	88,331
Cash and Cash Equivalents Beginning of Year	<u>159,674</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 248,005</u></u>

See accountants' audit report and accompanying notes

**INTERFAITH SOCIAL SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2017**

	COUNSELING	FINANCIAL ASSISTANCE	FOOD PANTRY	BUREAU DRAWER	ADMIN	FUND-RAISING	TOTAL
Salaries	\$61,474	\$46,844	\$72,719	\$10,017	\$51,110	52,277	\$294,441
Payroll Taxes	5,236	3,888	6,954	789	4,081	4,451	25,399
Other Employee Benefits	642	647	2,480	401	3,744	1,222	9,136
Health Insurance	237	237	237	118	2,080	828	3,737
Retirement	4,279	2,798	2,050	521	3,128	2,738	15,514
Workers' Compensation	111	18	258	128	28	17	560
Professional Fees	81,989	-	1,632	-	17,936	24,412	125,969
Director's & Officer's Ins	-	-	-	-	2,177	-	2,177
Printing	279	-	-	-	-	14,933	15,212
Office Supplies & Expense	1,633	266	3,996	1,833	2,250	3,353	13,331
Equipment Rentals	-	-	-	-	665	-	665
Telephone	1,477	222	3,398	1,699	394	222	7,412
Dues & Subscriptions	-	-	2,636	-	1,849	-	4,485
Advertising	1,304	116	2,537	2,146	843	6,415	13,361
Postage	149	292	839	635	324	8,032	10,271
Occupancy	8,365	1,244	22,394	9,993	3,193	1,244	46,433
Local Transportation	-	19	4,582	-	1,096	18	5,715
Conferences & Meetings	827	164	-	-	1,801	167	2,959
Purchased Food	-	-	31,468	-	-	-	31,468
Donated Food & Household Items	-	28,450	893,596	-	-	-	922,046
Medical Assistance	-	4,378	-	-	368	-	4,746
Donated Toys & Gifts	-	-	56,100	-	-	-	56,100
Seasonal Items	-	-	4,617	-	-	-	4,617
Housing Assistance	-	7,000	-	-	-	-	7,000
Other Assistance	-	8,692	1,793	-	-	-	10,485
Uncollectible Accounts	1,681	-	-	-	-	-	1,681
Other Expenditures	245	31	269	1,713	10,090	2,059	14,407
Other Program Costs	12	-	-	-	-	-	12
General Insurance	963	144	2,216	1,108	241	145	4,817
Subtotal	170,903	105,450	1,116,771	31,101	107,398	122,533	1,654,156
Depreciation	5,398	810	18,906	6,207	1,349	810	33,480
Total	\$176,301	\$106,260	\$1,135,677	\$37,308	\$108,747	\$123,343	\$1,687,636

See accountants' audit report and accompanying notes

INTERFAITH SOCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Nature of Activities

Founded in 1947, Interfaith Social Services, Inc. (the Organization) is dedicated to improving life for South Shore families and individuals in need. Our unique approach relies on a team of volunteers, donors and community partners to deliver compassionate, client-centered programs focused on hunger, mental health, and emergency assistance.

Interfaith Social Services, Inc. provides food and clothing for needy families through the Pantry Shelf and Career Closet programs which are staffed by volunteers. The Organization's New Directions Counseling Center provides counseling services on a generous sliding-fee scale to adults, children, couples and families. Homesafe is a homelessness prevention and emergency assistance program. The Bureau Drawer Thrift Shop offers low cost clothing and household goods to the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Support and Revenue

Contributions are generally available for unrestricted use in the related fiscal year unless specifically restricted by the donor. Unconditional promises to give are recorded when received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Grants and other contributions of cash and assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of revenues and expenses during the reporting period. The principal estimates used in preparing the financial statements are the determination of the fair value of investments, the allowance for bad debts, the allocation of expenses amongst programs, the net asset classification of contributions, and the allocation of the investment return to the various classes of net assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INTERFAITH SOCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The Organization has adopted the policy of expensing all advertising costs in the period incurred.

Depreciation and Amortization

Property and equipment purchased for \$2,000 or more is capitalized at cost and depreciated using the straight-line method over the estimated useful life. Buildings and improvements are estimated at 30-50 years and furniture and equipment are estimated at 3-10 years.

Financial Statement Presentation

Accounting principles generally accepted in the United States of America require the Organization to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. In addition, the Organization is required to present a statement of cash flows. Accounting principles generally accepted in the United States of America also require that contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Basis of Accounting

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

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to a program based on square footage for occupancy costs and direct labor for payroll related costs. Payroll taxes and employee benefits are allocated based on payroll and depreciation, utilities, insurance, interest and repairs & maintenance are allocated to programs and administration based on square footage.

Investment Valuation and Income Recognition

Investments are carried at fair value, as determined by quoted market prices or derived by a computerized valuation model, with the change in market value being reported in the statement of activities. Realized gains or losses on the sale of investment securities are computed by the specific identification method. Interest and dividends are recorded on the accrual basis.

INTERFAITH SOCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Hierarchy

Accounting principles generally accepted in the United States of America have established a hierarchical framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments held by the Organization are measured using inputs from one of the three levels of the fair value hierarchy. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are as follows:

Level 1 – Valuation is based on quoted prices in active markets for identical assets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 - Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using unobservable inputs to pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Organization recognizes transfers between levels at the end of the reporting period as if transfers occurred on the last day of the reporting period. There were no transfers in the year ended June 30, 2017.

INTERFAITH SOCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Interfaith Social Services, Inc. is classified by the Internal Revenue Service as a publicly supported organization under Internal Revenue Code Section 509(a) and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken, including the position that the Organization qualifies as a tax-exempt organization, and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2017, there were no uncertain tax positions that require disclosure in the financial statements. No interest or penalties were recorded in fiscal 2017.

NOTE 3 – FEES & PLEDGES RECEIVABLE

Fees and pledges receivable consisted of counseling fees of \$7,158. A reserve for uncollectible accounts was not required.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Organization's bank deposits do not exceed federally insured limits. The Organization has not experienced losses in such accounts and believes it is not exposed to any significant risks on bank deposits. At June 30, 2017 there were no funds in excess of federally insured limits in the Organization's accounts.

NOTE 5 – BUREAU DRAWER

The "Bureau Drawer" was instituted in 1975 to receive donations of articles which might be sold to provide funds for the operation of the agency. An inventory of such articles was on hand at the beginning and the end of the year but was not carried at a value on the books of the agency. Income is recorded in the Bureau Drawer Fund when such donated articles are sold, and amounted to \$101,453. Volunteer services valued at \$234,827 were not recorded in the financial statements.

NOTE 6 – RETIREMENT PLAN

Interfaith Social Services, Inc. sponsors a Tax Deferred Annuity retirement plan under code section 403(b) covering employees after a specified period of service. The Organization's policy is to fund at a specified percentage of an employee's earnings. The Organization contributed \$15,514 to the plan in fiscal 2017. Eligible employees may also contribute a portion of their annual compensation. The employees contributed \$7,300 to the plan in fiscal 2017.

NOTE 7 – ADA BACON FUND

Interfaith Social Services, Inc. receives funds from the Ada Bacon Fund for disbursement to persons in need of medical assistance on the South Shore. During the year ended June 30, 2017 additional cash contributions of \$3,501 were received and additional cash distributions of \$4,378 were made.

INTERFAITH SOCIAL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2017 which is the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

NOTE 9 – INVENTORY

The inventory at June 30, 2017 consisted of food in the amount of \$19,290 and clothing in the amount of approximately \$25,362. The value of food was estimated using an average unit value and the value of clothing was estimated using standard thrift shop prices.

NOTE 10 – DONATED GOODS AND SERVICES

Interfaith Social Services, Inc. records the value of donated goods as there is an objective basis available to estimate their value. Food is valued based on a count of the number of bags and boxes donated and the average weight of each. Weight checks are conducted throughout the year to develop an average weight. The value of food that is donated and purchased through the food bank is reported to us each week. The value of a pound of food is based on America's Second Harvest annual donated food valuation statistics. The value of all donated clothing to the thrift shop is determined by how much bidders and buyers pay for them. Toys and gifts are valued at retail. Volunteer services are estimated using an accounting of hours donated and a rate of \$29.88 per hour, based on IndependentSector.org's annual calculations.

Donated goods are reflected as contributions in the accompanying statements. The value of donated goods included in the financial statements for the year ended June 30, 2017 is as follows:

Food - Pantry Shelf	\$ 893,596
Christmas Toys and Gifts	56,100
Feed The Hungry	55,406
South Shore Walk	6,014
Career Closet	1,793
Donated Clothing and Household Goods sold	101,453
Donated Clothing and Household Goods in Inventory	<u>9,059</u>
Total Donated Goods	<u><u>\$ 1,123,421</u></u>

Interfaith Social Services, Inc. does not record the value of donated services in the accompanying statements. The value of these donated services for the year ended June 30, 2017 is as follows:

Volunteer Services - Pantry Shelf	\$ 296,887
Volunteer Services - Bureau Drawer	234,827
Volunteer Services - Administrative	67,021
Volunteer Services - Fundraising	<u>51,215</u>
Total Donated Services	<u><u>\$ 649,950</u></u>

INTERFAITH SOCIAL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 11 – SUPPLEMENTAL DISCLOSURES REGARDING CASH FLOWS

Payments made by the Organization for interest and income taxes were as follows:

Interest paid	\$0
Income taxes paid	\$0

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets in the amount of \$6,451 were available for the Homesafe Housing Assistance program and \$623 for medical grants as of June 30, 2017.

Net assets were released from restrictions in the amount of \$7,000 for the Homesafe Housing Assistance program and \$623 of assets were added to restricted funds for medical grants during the year ended June 30, 2017.

NOTE 13 – INVESTMENTS

Investments at June 30, 2017 are summarized as follows:

Money Market Funds	
Money Market Fund at 0.30%	\$ 100,477
Money Market Fund at 0.10%	<u>21,699</u>
Total Money Market Funds	122,176
Certificates of Deposit	
Certificate of Deposit at 0.80% with a nine month term due 8/4/17	5,066
Certificate of Deposit at .50% with a twelve month term due 6/26/17	<u>5,076</u>
Total Certificates of Deposit	<u>10,142</u>
	<u><u>132,318</u></u>

The composition of the investment return (loss) as reported in the statement of activities for the year ended June 30, 2017 as follows:

	<u>Unrestricted</u>
Income on Investments Consisting of Interest	\$ 375
Net Realized Gain	<u>-</u>
Return on Investments	<u><u>\$ 375</u></u>

INTERFAITH SOCIAL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

NOTE 13 – INVESTMENTS (continued)

Fair Value Hierarchy

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Common and preferred stocks: Valued based on quoted market prices.

Mutual and money market funds: Valued at the net asset value of the shares held at year end.

Debt securities and certificates of deposit: Valued based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments at Fair Value on a Recurring Basis

The following table presents the Organization's fair value hierarchy as described in Note 2 for investments measured at fair value on a recurring basis as of June 30, 2017:

<u>Description</u>	<u>Total Fair Value</u>	<u>Fair Value Measurement</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 122,176	\$ 122,176	\$ -	\$ -
Certificates of Deposit	10,142	10,142	-	-
Total Investments	<u>\$ 132,318</u>	<u>\$ 132,318</u>	<u>\$ -</u>	<u>\$ -</u>