

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
Tracy Interfaith Ministries
(A Nonprofit Corporation)
Tracy, California

Opinion

We have audited the accompanying financial statements of Tracy Interfaith Ministries (A Nonprofit Corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tracy Interfaith Ministries as of June 30, 2022 and 2021, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tracy Interfaith Ministries 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.

Responsibilities of Management 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, 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.

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 Tracy Interfaith Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' 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 auditors' 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 generally accepted 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 generally accepted 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 Tracy Interfaith Ministries' 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 Tracy Interfaith Ministries' 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.

Schwartz, Giannini, Lantberger & Adamson

Stockton, California
August 30, 2022

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 765,539	\$ 680,556
Accounts receivable	12,000	-
Inventory	31,798	32,662
Prepaid insurance	1,282	759
Total current assets	810,619	713,977
Property and equipment, net of accumulated depreciation (Note 4)	1,168,960	1,207,858
Construction in progress	15,958	-
Total assets	1,995,537	1,921,835
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	5,710	11,803
Total current liabilities	5,710	11,803
Contingency (Note 9)		
Net assets		
Without donor restrictions	1,989,827	1,910,032
Total net assets	1,989,827	1,910,032
Total liabilities and net assets	\$ 1,995,537	\$ 1,921,835

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 180,126	\$ -	\$ 180,126
Contributions - In-kind (Note 6)	342,883	-	342,883
Grants	137,513	25,000	162,513
Special events and campaigns	189,587	-	189,587
Other income	1,654	-	1,654
Net assets released from restriction	25,000	(25,000)	-
	<u>876,763</u>	<u>-</u>	<u>876,763</u>
EXPENSES			
Program services	693,111	-	693,111
Supporting services			
Management and general	90,050	-	90,050
Fundraising	13,807	-	13,807
Total supporting expenses	<u>103,857</u>	<u>-</u>	<u>103,857</u>
	<u>796,968</u>	<u>-</u>	<u>796,968</u>
CHANGE IN NET ASSETS	79,795	-	79,795
NET ASSETS AT BEGINNING OF YEAR	<u>1,910,032</u>	<u>-</u>	<u>1,910,032</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,989,827</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,989,827</u></u>

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 204,410	\$ -	\$ 204,410
Contributions - In-kind (Note 6)	166,063	-	166,063
Grants	54,090	30,000	84,090
Special events and campaigns	108,329	-	108,329
Other income	4,948	-	4,948
Net assets released from restriction	30,000	(30,000)	-
Total support and revenue	567,840	-	567,840
EXPENSES			
Program services	477,974	-	477,974
Supporting services			
Management and general	67,634	-	67,634
Fundraising	4,248	-	4,248
Total supporting expenses	71,882	-	71,882
Total expenses	549,856	-	549,856
CHANGE IN NET ASSETS	17,984	-	17,984
NET ASSETS AT BEGINNING OF YEAR	1,892,048	-	1,892,048
NET ASSETS AT END OF YEAR	\$ 1,910,032	\$ -	\$ 1,910,032

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Supporting Services				Total
	Program Services	Management and General	Fund Raising	Total Supporting Services	
Payroll	\$ 19,250	\$ 8,250	\$ -	\$ 8,250	\$ 27,500
Payroll taxes	1,816	778	-	778	2,594
Total personnel costs	21,066	9,028	-	9,028	30,094
Baby expenses	2,772	-	-	-	2,772
Client services and repackaging	56,169	-	-	-	56,169
Food purchases	132,447	-	-	-	132,447
In-kind food and clothing	306,882	-	-	-	306,882
In-kind lease (Note 6)	36,001	-	-	-	36,001
Families at Risk - rent and supplies	53,733	-	-	-	53,733
Utilities	16,719	-	-	-	16,719
Maintenance	20,499	7,620	-	7,620	28,119
Insurance	-	9,581	-	9,581	9,581
Janitorial	-	10,527	-	10,527	10,527
Legal and accounting	-	6,500	-	6,500	6,500
Security	-	28,588	-	28,588	28,588
Office expense	-	15,302	-	15,302	15,302
Special events and campaigns	-	-	13,807	13,807	13,807
Depreciation	46,823	2,904	-	2,904	49,727
Total expenses	<u>\$ 693,111</u>	<u>\$ 90,050</u>	<u>\$ 13,807</u>	<u>\$ 103,857</u>	<u>\$ 796,968</u>

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
(A NONPROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total Supporting Services	
Baby expenses	\$ 2,424	\$ -	\$ -	\$ -	\$ 2,424
Client services and repackaging	70,171	-	-	-	70,171
Food purchases	98,622	-	-	-	98,622
In-kind food and clothing	130,062	-	-	-	130,062
In-kind lease (Note 6)	36,001	-	-	-	36,001
Families at Risk - rent and supplies	52,688	-	-	-	52,688
Utilities	17,385	-	-	-	17,385
Maintenance	23,947	13,260	-	13,260	37,207
Insurance	-	10,564	-	10,564	10,564
Janitorial	-	6,720	-	6,720	6,720
Legal and accounting	-	6,000	-	6,000	6,000
Security	-	19,654	-	19,654	19,654
Office expense	-	8,533	1,220	9,753	9,753
Special events and campaigns	-	-	3,028	3,028	3,028
Depreciation	46,674	2,903	-	2,903	49,577
Total expenses	\$ 477,974	\$ 67,634	\$ 4,248	\$ 71,882	\$ 549,856

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 79,795	\$ 17,984
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,727	49,577
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(12,000)	
(Increase) decrease in inventory	864	(9,309)
(Increase) decrease in prepaid insurance	(523)	1,460
Increase (decrease) in accounts payable	(6,093)	5,358
Net cash provided by operating activities	111,770	65,070
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(26,787)	-
Net cash (used in) investing activities	(26,787)	-
Net increase in cash	84,983	65,070
CASH AT BEGINNING OF YEAR	680,556	615,486
CASH AT END OF YEAR	\$ 765,539	\$ 680,556

See Notes to Financial Statements.

TRACY INTERFAITH MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1. ORGANIZATION

Organization

Tracy Interfaith Ministries (“Organization”) is a nonprofit, voluntary health and welfare agency exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization was established on May 8, 1992, and incorporated on October 15, 2004. Tracy Interfaith Ministries provides for the underserved on an emergency basis by providing food and clothing for those in need, and provides referral services to appropriate agencies for emergency housing needs. An estimated 42,000 people are served each year. The Organization is located in Tracy, California.

Major Program and Activities

Tracy Interfaith Ministries major program is to provide assistance on an emergency basis to those in need. Activities include providing food, clothing, hygiene products, baby supplies, rent assistance, utility assistance, and referrals to appropriate agencies.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Tracy Interfaith Ministries’ management and the board of directors.

Net Assets With Donor Restriction – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Tracy Interfaith Ministries or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

TRACY INTERFAITH MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Income Tax

The Corporation has received favorable determination letters indicating it is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue code and California franchise taxes under Section 23701(e) of the California Revenue Taxation Code. The Corporation is classified as other than a private foundation.

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The Organization follows the guidance of Accounting Standards Codification (ASC) 740, "*Accounting for Income Taxes*", related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

The federal annual information tax returns for the Organization for 2019, 2020, and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. California annual information tax returns for 2018, 2019, 2020, and 2021 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity date of less than 90 days to be cash equivalents. At June 30, 2022 and 2021, cash consisted solely of cash on hand and cash in banks.

TRACY INTERFAITH MINISTRIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair market value, if donated. Acquisitions of property and equipment that exceed \$10,000 are capitalized. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and office equipment	5-7 years
Buildings and improvements	39 years

Donated Services

Except for the Organization's Director, the Organization's personnel consist solely of volunteers. The Organization received donated services from its officers and community volunteers which total in excess of 15,000 person-hours for the years ended June 30, 2022 and 2021. Donations of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people who have those skills, and would otherwise be purchased if not provided by donation. As the recognition criteria for donated services were not met, these volunteer efforts were not recognized as contributions in the financial statements for the years ended June 30, 2022 and 2021.

In-kind donations and disbursements of food are recorded as contributions and expenses at \$0.19 per pound. Donations and disbursements of supplies are recorded at thrift-shop value.

Functional Expense Allocation

The Organization allocates its expenses on a functional basis among its various programs, activities, and supporting services. Expenditures which can be identified with a specific program or support service are recorded directly, according to their natural expenditure classification. Costs that are common to more than one function are allocated among the program and supporting services based on estimates made by management.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 report period. Actual results could differ from those estimates.

TRACY INTERFAITH MINISTRIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization will adopt the new rule effective July, 1 2022, and does not expect the adoption of the new rule to have a material impact on the Organization's financial condition, results of operations and cash flows.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents Tracy Interfaith Ministries' financial assets at June 30, 2022 and 2021:

	2022	2021
Financial assets at year end:		
Cash and equivalents	\$ 765,539	\$ 680,556
Accounts receivable	12,000	-
Financial assets available to meet cash		
needs for general expenditures within one year	\$ 777,539	\$ 680,556

NOTE 4. PROPERTY AND EQUIPMENT

The following summarizes the property and equipment, and accumulated depreciation as of June 30, 2022 and 2021:

	2022	2021
Furniture and equipment	\$ 14,520	\$ 14,520
Building and improvements	1,773,788	1,762,959
Less: accumulated depreciation	(619,348)	(569,621)
Total property and equipment	\$ 1,168,960	\$ 1,207,858

TRACY INTERFAITH MINISTRIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5. LEASES

The Organization entered into a 55 year ground lease with the City of Tracy as of September 1, 2005. Upon completion of construction in 2008, the rental amount became \$1 per year for the remainder of the lease. The lease expires August 31, 2060. Management estimates the fair market value of the lease contribution at \$36,001 for the years ended June 30, 2022 and 2021, which is included in in-kind revenue and expense on the statements of activities.

NOTE 6. IN-KIND CONTRIBUTIONS

The Organization recognizes contribution revenue and expense for donated food, revenue, and land rent received at the fair value of those donated items. In-kind contributions and expenses for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Food and clothing	\$ 306,882	\$ 130,062
Land lease	36,001	36,001
Total in-kind contributions	<u>\$ 342,883</u>	<u>\$ 166,063</u>

NOTE 7. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2022, the date the financial statements were available to be issued.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from donor restrictions by satisfying the donor restricted purpose for the years ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Covid-19 related expenses	\$ 15,000	\$ -
Outreach	5,000	-
Backpacks and christmas supplies	5,000	-
Client services	-	30,000
	<u>\$ 25,000</u>	<u>\$ 30,000</u>

At June 30, 2022 and 2021, the Organization had no net assets with donor restrictions.

TRACY INTERFAITH MINISTRIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 9. CONTINGENCY

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has impacted the Organization's operations and the operations of the Organization's customers, suppliers and vendors as a result of quarantines, closures, and travel and logistics restrictions. The Organization has followed protocols and guidelines issued by federal and state government. The extent to which the COVID-19 pandemic impacts the Organization's business in the future, and the results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the continued duration, spread, severity, and impact of the COVID-19 pandemic and the effects of the COVID-19 pandemic on the Organization's customers, suppliers and vendors. Even though the COVID-19 pandemic has subsided, the Organization may continue to experience adverse impacts to its business as a result of negative impact of COVID-19 on the customers, suppliers and vendors of the Organization.