

Interfaith Ministries for Greater Houston

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2025 and 2024

Interfaith Ministries for Greater Houston

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Independent Auditors' Report

To the Board of Directors of
Interfaith Ministries for Greater Houston:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Interfaith Ministries for Greater Houston, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, of cash flows, and of functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Interfaith Ministries for Greater Houston as of June 30, 2025 and 2024, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Interfaith Ministries for Greater Houston 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Interfaith Ministries for Greater Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

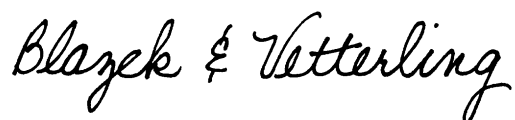
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2025 on our consideration of Interfaith Ministries for Greater Houston's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Interfaith Ministries for Greater Houston's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Interfaith Ministries for Greater Houston's internal control over financial reporting and compliance.



October 28, 2025

Interfaith Ministries for Greater Houston

Consolidated Statements of Financial Position as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 7,613,065	\$ 6,993,647
Prepaid and other assets	403,742	434,662
Contributions and government grants receivable, net (<i>Note 3</i>):		
Government agencies	1,285,989	2,108,824
United Way allocation	640,944	730,836
Other	326,165	699,346
Food supplies	80,085	150,755
Operating right-of-use assets (<i>Note 4</i>)	10,551	250,754
Property and equipment, net (<i>Note 5</i>)	<u>15,763,069</u>	<u>16,421,971</u>
TOTAL ASSETS	<u>\$26,123,610</u>	<u>\$27,790,795</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 393,348	\$ 611,448
Accrued salaries and benefits	401,059	566,154
Accrued unemployment insurance claims (<i>Note 11</i>)	911,948	
Refundable advances – government and other contributions	772,461	691,246
Operating leases liabilities (<i>Note 4</i>)	<u>10,551</u>	<u>250,754</u>
Total liabilities	<u>2,489,367</u>	<u>2,119,602</u>
Net assets:		
Without donor restrictions	17,488,782	18,893,238
With donor restrictions (<i>Note 7</i>)	<u>6,145,461</u>	<u>6,777,955</u>
Total net assets	<u>23,634,243</u>	<u>25,671,193</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$26,123,610</u>	<u>\$27,790,795</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and government grants:			
Government grants <i>(Note 8)</i>		\$41,639,118	\$41,639,118
United Way allocation		854,600	854,600
Nonfinancial assets <i>(Note 9)</i>	\$ 582,679		582,679
Other	917,451	4,558,083	5,475,534
Special event	634,147		634,147
Cost of direct donor benefit – special event	(150,591)		(150,591)
Program service fees	204,925		204,925
Interest income	98,071		98,071
Other income	38,144		38,144
Total revenue	<u>2,324,826</u>	<u>47,051,801</u>	<u>49,376,627</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	47,652,211	(47,652,211)	
Satisfaction of capital restrictions	32,084	(32,084)	
Total	<u>50,009,121</u>	<u>(632,494)</u>	<u>49,376,627</u>
EXPENSES:			
Program services:			
Refugee services	35,057,470		35,057,470
Senior services	11,029,493		11,029,493
Volunteerism and Civic Service	584,043		584,043
Interfaith relations	497,578		497,578
Total program services	<u>47,168,584</u>		<u>47,168,584</u>
Supporting services:			
Management and general	2,744,372		2,744,372
Fundraising	1,500,621		1,500,621
Total supporting services	<u>4,244,993</u>		<u>4,244,993</u>
Total expenses	<u>51,413,577</u>		<u>51,413,577</u>
CHANGES IN NET ASSETS	(1,404,456)	(632,494)	(2,036,950)
Net assets, beginning of year	<u>18,893,238</u>	<u>6,777,955</u>	<u>25,671,193</u>
Net assets, end of year	<u>\$17,488,782</u>	<u>\$ 6,145,461</u>	<u>\$23,634,243</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Activities for the year ended June 30, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions and government grants:			
Government grants <i>(Note 8)</i>		\$50,869,853	\$50,869,853
United Way allocation		974,437	974,437
Nonfinancial assets <i>(Note 9)</i>	\$ 1,302,779		1,302,779
Other	1,128,689	5,039,850	6,168,539
Special event	597,741		597,741
Cost of direct donor benefit – special event	(174,995)		(174,995)
Program service fees	360,185		360,185
Interest income	72,537		72,537
Other income	<u>56,221</u>		<u>56,221</u>
Total revenue	3,343,157	56,884,140	60,227,297
Net assets released from restrictions:			
Satisfaction of program restrictions	58,094,546	(58,094,546)	
Satisfaction of capital restrictions	<u>2,551,226</u>	<u>(2,551,226)</u>	
Total	<u>63,988,929</u>	<u>(3,761,632)</u>	<u>60,227,297</u>
EXPENSES:			
Program services:			
Refugee services	43,424,232		43,424,232
Senior services	12,827,739		12,827,739
Volunteerism and Civic Service	911,224		911,224
Interfaith relations	<u>686,354</u>		<u>686,354</u>
Total program services	<u>57,849,549</u>		<u>57,849,549</u>
Supporting services:			
Management and general	2,403,849		2,403,849
Fundraising	<u>1,549,928</u>		<u>1,549,928</u>
Total supporting services	<u>3,953,777</u>		<u>3,953,777</u>
Total expenses	<u>61,803,326</u>		<u>61,803,326</u>
CHANGES IN NET ASSETS	2,185,603	(3,761,632)	(1,576,029)
Net assets, beginning of year	<u>16,707,635</u>	<u>10,539,587</u>	<u>27,247,222</u>
Net assets, end of year	<u>\$18,893,238</u>	<u>\$ 6,777,955</u>	<u>\$25,671,193</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statements of Cash Flows for the years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$(2,036,950)	\$(1,576,029)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	878,498	883,337
Amortization of operating right-of-use assets	240,203	248,194
Gain on sale of property and equipment	(9,926)	(13,227)
Contributions restricted for capital assets	(240,000)	
Changes in operating assets and liabilities:		
Contributions and government grants receivable	1,285,908	1,965,919
Prepaid and other assets	30,920	(53,244)
Food supplies	70,670	(25,187)
Accounts payable	(218,100)	(163,153)
Accrued salaries and benefits	(165,095)	120,950
Accrued unemployment insurance claims	911,948	
Refundable advances – government and other contributions	81,215	153,362
Operating lease liabilities	<u>(240,203)</u>	<u>(248,194)</u>
Net cash provided by operating activities	<u>589,088</u>	<u>1,292,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from maturities of certificates of deposit		3,039,786
Purchase of property and equipment	(220,726)	(736,204)
Proceeds from sale of property and equipment	<u>11,056</u>	<u>49,891</u>
Net cash provided (used) by investing activities	<u>(209,670)</u>	<u>2,353,473</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	<u>240,000</u>	
NET CHANGE IN CASH AND CASH EQUIVALENTS	619,418	3,646,201
Cash and cash equivalents, beginning of year	<u>6,993,647</u>	<u>3,347,446</u>
Cash and cash equivalents, end of year	<u>\$ 7,613,065</u>	<u>\$ 6,993,647</u>
<i>Supplemental disclosure of cash flow information:</i>		
Right-of-use assets for new leases		\$187,601

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2025

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	REFUGEE SERVICES	SENIOR SERVICES	VOLUNTEERISM AND CIVIC SERVICE	INTERFAITH RELATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 5,430,386	\$ 3,648,139	\$ 361,226	\$ 321,199	\$ 1,510,394	\$ 776,704	\$12,048,048
Employee benefits	1,172,050	940,173	107,904	90,600	312,261	215,536	2,838,524
Unemployment insurance claims reserve	911,948						911,948
Assistance to individuals	26,020,477	134,010					26,154,487
Food supplies		4,249,306					4,249,306
Professional fees and contract services	409,663	169,857	49,013	13,801	557,914	170,322	1,370,570
Occupancy	565,433	367,737	11,247	17,058	110,848	35,447	1,107,770
Depreciation	268,925	455,185	7,296	14,597	100,605	31,890	878,498
Insurance	91,862	385,049	2,990	3,180	62,130	7,025	552,236
Service delivery and transportation	53,622	304,140					357,762
Direct mail and advertising	5,847	47,245	6,549	8,510	19,268	172,505	259,924
Vehicle maintenance and repair	7,765	186,509					194,274
Supplies	42,992	65,127	32,121	12,537	6,767	7,580	167,124
Communications	56,818	52,856	1,840	2,074	12,008	5,307	130,903
Meetings and travel	10,892	8,121	1,693	4,212	18,227	20,330	63,475
Printing and publications	1,756	971	875	1,056	9,233	24,767	38,658
Postage and delivery	5,914	339	729	36	3,302	13,957	24,277
Other	1,120	14,729	560	8,718	21,415	19,251	65,793
Total expenses	<u>\$35,057,470</u>	<u>\$11,029,493</u>	<u>\$ 584,043</u>	<u>\$ 497,578</u>	<u>\$ 2,744,372</u>	<u>\$ 1,500,621</u>	51,413,577
Cost of direct donor benefit – special event							<u>150,591</u>
Total							<u>\$51,564,168</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Consolidated Statement of Functional Expenses for the year ended June 30, 2024

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	REFUGEE SERVICES	SENIOR SERVICES	VOLUNTEERISM AND CIVIC SERVICE	INTERFAITH RELATIONS	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 5,794,085	\$ 3,717,570	\$ 558,139	\$ 427,208	\$ 1,426,604	\$ 728,311	\$12,651,917
Employee benefits	1,329,480	952,739	100,453	98,609	285,235	180,275	2,946,791
Assistance to individuals	34,509,605	142,791					34,652,396
Food supplies		5,875,157					5,875,157
Professional fees and contract services	576,499	237,985	83,304	29,628	265,630	204,916	1,397,962
Occupancy	651,353	377,237	21,615	19,774	123,623	34,948	1,228,550
Depreciation	260,349	451,414	16,524	19,575	102,345	33,130	883,337
Insurance	68,264	308,162	4,758	3,168	50,712	5,362	440,426
Service delivery and transportation	86,958	379,369					466,327
Direct mail and advertising	14,014	50,744	63,156	26,064	36,249	282,288	472,515
Vehicle maintenance and repair	4,885	118,872					123,757
Supplies	51,088	120,093	49,250	28,487	18,389	6,839	274,146
Communications	62,346	67,004	3,270	2,927	19,258	4,912	159,717
Meetings and travel	7,483	10,652	6,259	7,499	19,318	18,259	69,470
Printing and publications	3,082	3,172	2,396	1,338	17,887	23,561	51,436
Postage and delivery	1,637	2,427	894	276	4,697	16,039	25,970
Other	3,104	12,351	1,206	21,801	33,902	11,088	83,452
Total expenses	<u>\$43,424,232</u>	<u>\$12,827,739</u>	<u>\$ 911,224</u>	<u>\$ 686,354</u>	<u>\$ 2,403,849</u>	<u>\$ 1,549,928</u>	61,803,326
Cost of direct donor benefit – special event							<u>174,995</u>
Total							<u>\$61,978,321</u>

See accompanying notes to consolidated financial statements.

Interfaith Ministries for Greater Houston

Notes to Consolidated Financial Statements for the years ended June 30, 2025 and 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Interfaith Ministries for Greater Houston’s (Interfaith Ministries) mission is to bring people of diverse faith traditions together for dialogue, collaboration, and service, as a representation of our shared beliefs. Interfaith Ministries’ goals are to provide direct service, collaboration, and education in the following areas:

- *Refugee services* assist both newly arrived refugees and established refugees in the Greater Houston community. Refugee services provide resettlement services, employment and vocational training services, cultural orientation services, case management, medical and legal assistance services, and cash and rental assistance services.
- *Senior services* include home-delivered meals, pet food assistance, and supportive social services for homebound seniors and individuals with disabilities. Meals on Wheels delivers nutritious lunch, breakfast, weekend and emergency shelf-stable meals to thousands of individuals each day. Animeals on Wheels delivers pet food to seniors with companion animals. Client Services provide expanded assessments of client needs and refers clients to supplemental service providers.
- *Volunteerism and Civil Service*, a Points of Light affiliate program, connects individuals, groups, and companies with nonprofit agencies to transform the Greater Houston community through volunteerism. Volunteer Houston offers customized, fully-managed corporate volunteer projects that have engaged thousands of volunteers and hundreds of local nonprofits. The Serve Houston AmeriCorps program empowers young individuals eager to contribute their skills and passion to create positive change by placing teams in nonprofit programs promoting healthy futures for vulnerable populations.
- *Interfaith relations/community partnerships* foster understanding, respect and engagement among people of all faith traditions through educational opportunities and community service. Interfaith relations/community partnerships provide opportunities for connection, engagement, education and training.

In 2013, IM Support was organized as a Texas nonprofit corporation to secure New Market Tax Credits (NMTC) financing for the construction of the W.T. and Louise J. Moran Building and the renovations of the Albert and Ethel Herzstein Building. The buildings were transferred to Interfaith Ministries in fiscal year 2024. IM Support’s board of directors is appointed by Interfaith Ministries.

Basis of consolidation – These financial statements include the assets, liabilities, net assets, and activities of Interfaith Ministries and IM Support (collectively Interfaith). Any balances and transactions between the consolidated entities are eliminated. There were no transactions or balances related to IM Support in fiscal year 2025.

Federal income tax status – Interfaith Ministries and IM Support are exempt from federal income tax under §501(c)(3) of the Internal Revenue Code, except for unrelated business income. Interfaith Ministries is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). IM Support is classified as a Type I supporting organization under §509(a)(3).

Cash and cash equivalents include demand deposits and over-night sweep repurchase agreements that are valued at the face value of the underlying security. They are measured using Level 2 inputs which are quoted prices either directly observable or can be derived from or corroborated by observable market data at the reporting date. The over-night investment is in high quality, low risk securities, typically a U. S. Treasuries. At June 30, 2025 and 2024, cash equivalents totaled \$3,964,000 and \$3,300,000, respectively.

Contributions and government grants receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions and government grants revenue. An allowance for uncollectible receivables is provided when it is believed balances may not be collected in full. The adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and donor-by-donor analysis of balances.

Food supplies consist primarily of breakfast foods, frozen meals, and other shelf stable meals. Donated food supplies are valued at the approximate average wholesale value of one pound of donated product based on the national per pound price as provided by the most recent Feeding America Product Valuation Survey. Purchased food is valued at the cost of products purchased as determined by the first-in, first-out method.

Right-of-use assets are recognized at the present value of the lease payments at inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term. Interfaith Ministries utilizes the risk-free discount rate when the rate implicit in a lease is not readily determinable. Interfaith Ministries elected to not separate the lease components and the non-lease components for equipment leases. Interfaith Ministries recognizes lease expense on a straight-line basis over the lease term for leases with a term of 12 months or less at inception.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Additions and improvements with a cost of more than \$5,000 are capitalized. Depreciation is provided on a straight-line basis over estimated useful lives of 20 to 40 years for building, 5 to 10 years for furniture and equipment, and 7 years for vehicles.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction.

Contributions and government grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions and grants received with donor stipulations that limit their use are classified as restricted support. Conditional contributions and grants are subject to one or more barriers that must be overcome before Interfaith is entitled to receive or retain funding. Conditional contributions and grants are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as refundable advances and is recognized in the same manner when the conditions are met. At June 30, 2025 and 2024, \$722,162 and \$671,439, respectively, in amounts due to government agencies are included in refundable advances.

Contributions of nonfinancial assets – Donated materials and use of facilities are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Undistributed food commodities are included in food supplies. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed significant amounts of time in connection with programs, administration and fundraising for which no amount has been reported in the financial statements because the services did not meet the criteria for recognition under generally accepted accounting principles.

Special event revenue includes elements of both contributions and exchange transactions and is recognized when the event occurs. Amounts received prior to the event occurring are reported as refundable advances. Cost of direct donor benefit represents the costs of goods and services provided to attendees of the special event.

Program service fees are derived from contracts with managed care organizations and non-government service partners to provide meals, and fees charged to companies to coordinate customized and fully managed service projects. Revenue is recognized at a point in time when the services are provided in an amount that reflects the consideration Interfaith expects to be entitled to in exchange for those services. The transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions and management's expectations about current and future economic conditions.

Interfaith does not assess collectability on accounts prior to providing services, does not require collateral, and does not provide financing. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt. Revenue for contracts with companies for managed service projects is billed prior to the services being provided and is due within 10 days of the invoice. Amounts received prior to services being provided are recorded as deferred revenue. Accounts receivable relate to Interfaith's right to consideration for services provided. Accounts receivable included with prepaids and other assets were \$27,530, \$24,890, and \$14,892 at June 30, 2025, 2024 and 2023, respectively.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of actual time and effort expended. Depreciation is allocated based on program or supporting activity benefits from the asset being depreciated. Occupancy expenses are allocated based on square footage occupied by the program or supporting activity, and information technology costs are allocated based on the number of employees with active licenses.

Estimates – Management makes estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 7,613,065	\$ 6,993,647
Accounts receivable	27,530	24,890
Contributions and government grants receivable, net	<u>2,253,098</u>	<u>3,539,006</u>
Total financial assets	9,893,693	10,557,543
Less financial assets not available for general expenditure:		
Restricted by donor for use in future periods or for future projects	<u>(589,995)</u>	<u>(793,743)</u>
Total financial assets available for general expenditure	<u>\$ 9,303,698</u>	<u>\$ 9,763,800</u>

Interfaith is substantially supported by government awards and contributions and regularly monitors liquidity required to meet its operating needs while striving to maximize available funds. Interfaith considers all expenditures related to its ongoing activities of bringing people of diverse faith traditions together for dialogue, collaboration, and service, as well as the conduct of services undertaken to support those activities, to be general expenditures. Interfaith has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, as part of its liquidity and risk management, Interfaith invests cash in excess of daily requirements in short-term investments (daily sweep account). Interfaith also has a committed operating line of credit in the amount of \$2 million, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 – CONTRIBUTIONS AND GOVERNMENT GRANTS RECEIVABLE

Contributions and government grants receivable are as follows:

	<u>2025</u>	<u>2024</u>
Contributions and government grants receivable	\$ 2,273,996	\$ 3,587,386
Discount to net present value at 3%		(11,518)
Allowance for uncollectible contributions	<u>(20,898)</u>	<u>(36,862)</u>
Contributions and government grants receivable, net	<u>\$ 2,253,098</u>	<u>\$ 3,539,006</u>

All contributions and government grants receivable at June 30, 2025 are expected to be collected within one year.

NOTE 4 – OPERATING LEASES

Interfaith leases office space at two locations and equipment under non-cancelable operating leases.

Lease costs are comprised as follows for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 249,616	\$ 271,993
Short-term leases	<u>44,922</u>	<u>29,893</u>
Total lease costs	<u>\$ 294,538</u>	<u>\$ 301,886</u>

As of June 30, 2025 and 2024, the weighted-average remaining lease term for all operating leases was 4 months and 11 months, respectively. The weighted-average discount rate associated with operating leases as of June 30, 2025 and 2024 was 8.35% and 8.37%, respectively.

Reconciliation of the undiscounted cash flows related to operating leases to the discounted amount reported on the statement of financial position as of June 30, 2025:

Undiscounted cash flows due in 2026	\$ 12,300
Less discount to present value	<u>(1,749)</u>
Total discount present value of lease liabilities	<u>\$ 10,551</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 4,427,368	\$ 4,427,368
Building	14,561,645	14,495,136
Furniture and equipment	1,116,600	1,159,768
Vehicles	<u>1,813,034</u>	<u>1,888,869</u>
Total property and equipment, at cost	21,918,647	21,971,141
Accumulated depreciation	<u>(6,155,578)</u>	<u>(5,549,170)</u>
Property and equipment, net	<u>\$15,763,069</u>	<u>\$16,421,971</u>

NOTE 6 – LINE OF CREDIT

Interfaith has a \$2 million revolving line of credit with a financial institution, which bears interest at prime rate (7.5% at June 30, 2025). At June 30, 2025 and 2024, there are no amounts outstanding under the line of credit. The line of credit matures in November 2026 and is secured by accounts at the financial institution.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Senior services	\$ 4,195,176	\$ 4,648,368
Refugee services	1,677,600	2,082,818
Capital acquisitions	240,000	14,084
Interfaith relations	<u>32,685</u>	<u>32,685</u>
Total net assets with donor restrictions	<u>\$ 6,145,461</u>	<u>\$ 6,777,955</u>

NOTE 8 – GOVERNMENT GRANTS

Interfaith Ministries is a party to agreements with government agencies. Should these agreements not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government revenue recognized include the following:

	<u>2025</u>	<u>2024</u>
Federal government grants:		
U. S. Department of Health and Human Services	\$35,506,854	\$44,164,873
U. S. Department of State	3,080,006	3,447,404
U. S. Department of Housing and Urban Development	434,589	398,673
Corporation for National and Community Service	287,670	280,339
U. S. Department of the Treasury	163,602	
U. S. Department of Homeland Security	<u>24,000</u>	<u>196,843</u>
Total federal government grants	<u>39,496,721</u>	<u>48,488,132</u>
State government grants:		
Texas Department of Agriculture	1,654,498	1,802,899
Texas Veterans Commission	<u>300,000</u>	<u>250,000</u>
Total state government grants	<u>1,954,498</u>	<u>2,052,899</u>
Galveston County grants	140,000	217,729
Other	<u>47,899</u>	<u>111,093</u>
Total government grants	<u>\$41,639,118</u>	<u>\$50,869,853</u>

At June 30, 2025, Interfaith has approximately \$12.3 million of conditional contributions from various government agencies, which have not been recognized in the accompanying financial statements because the conditions have not been met. Interfaith will recognize these grants as qualifying grant expenditures are incurred and/or performance requirements are met.

Government awards require fulfillment of certain conditions as set forth in the agreements and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by Interfaith Ministries with the terms of the agreements. Management believes such disallowances, if any, would not be material to Interfaith Ministries' financial position or changes in net assets.

NOTE 9 – NONFINANCIAL CONTRIBUTIONS

Interfaith recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	FISCAL YEAR 2025	FISCAL YEAR 2024
Household goods/supplies	Utilized for Meals on Wheels/Refugee Services	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	\$313,742	\$745,115
Advertising services and other professional services	Utilized for multiple programs	None	Fair value estimated based on current rates for similar services.	\$124,386	\$321,747
Food commodities	Utilized for Meals on Wheels	None	Fair value estimated based on market prices for similar products.	\$60,000	\$60,000
Pet food/supplies	Utilized for Animeals on Wheels	None	Fair value estimated based on market prices for similar products.	\$58,920	\$159,185
Other donated	Utilized for multiple programs	None	Fair value estimated based on current rates for similar services or goods.	\$25,631	\$16,732
Total contributed nonfinancial assets				<u>\$582,679</u>	<u>\$1,302,779</u>

NOTE 10 – EMPLOYEE BENEFIT PLAN

Interfaith Ministries offers a Safe Harbor §403(b) Thrift Plan (the Plan) that covers substantially all employees. Employees may contribute amounts to the Plan up to the limits established by the Internal Revenue Code. Interfaith Ministries matches 100% of each employee’s voluntary contributions that do not exceed 3% of the eligible compensation, and 50% of contributions exceeding 3% of eligible compensation, but not to exceed 5% of the employee’s eligible compensation. Interfaith Ministries contributed approximately \$230,000 and \$256,000 to the Plan during the years ended June 30, 2025 and 2024, respectively.

NOTE 11 – CONTINGENCIES

Interfaith Ministries was notified of a reduction of federal funding for the refugee program in February 2025 which resulted in the lay-off of approximately 120 employees. In association with that lay-off, management estimated a liability for unemployment claims of approximately \$912,000. Actual amounts could vary from this estimate; however, management does not believe these differences will materially impact Interfaith Ministries' financial position.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

**Independent Auditors' 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***

To the Board of Directors of
Interfaith Ministries for Greater Houston:

We have audited, 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, the financial statements of Interfaith Ministries for Greater Houston (Interfaith Ministries), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, of cash flows, and of functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Interfaith Ministries' internal control over financial reporting (internal control) as a basis for designing 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 Interfaith Ministries' internal control. Accordingly, we do not express an opinion on the effectiveness of Interfaith Ministries' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interfaith Ministries' financial statements are free from 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 financial statements. However, providing an opinion 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 this 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blazek & Vetterling

October 28, 2025