INTERFACE CHILDREN & FAMILY SERVICES

AUDIT REPORT

BOARD OF DIRECTORS

JUNE 30, 2014

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
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VASIN, HEYN & COMPANY
AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Interface Children & Family Services (Interface)
(A California Non-Profit Corporation)
Camarillo, California

We have audited the accompanying financial statements of Interface Children & Family Services (Interface) (A California Non-Profit Corporation), which comprise the statement of financial position as of June 30, 2014, 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.

Auditors' 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 of 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT – Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interface Children & Family Services as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Interface Children & Family Services, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Interface Children & Family Services.

Vasin, Heyn + Co.

Calabasas, California
March 27, 2015

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 1,801,446	$ 1,452,626
Contracts receivable	1,512,802	1,798,054
Grants receivables	103,334	165,000
Beneficial Interests in Funds Held by Others	381,409	350,547
Other receivables	54,984	-
Deposits and prepaid expenses	55,280	100,681
Property and equipment, net	878,684	939,861
Total assets	$ 4,787,939	$ 4,806,769
LIABILITIES		
Accounts payable	$ 129,282	$ 136,479
Accrued expenses	32,258	82,060
Accrued payroll and related liabilities	440,406	440,465
Capital leases payable	46,303	86,005
Mortgages payable	443,059	457,703
Amounts held for others	4,527	3,085
Total liabilities	1,095,835	1,205,797
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	3,552,559	3,261,483
Temporarily restricted	64,545	264,489
Permanently restricted	75,000	75,000
Total net assets	3,692,104	3,600,972
Total liabilities and net assets	$ 4,787,939	$ 4,806,769

See accompanying auditors' report and notes to financial statements.

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE AND SUPPORT					
Governmental service contracts	$ 5,706,432	$ -	$ -	$ 5,706,432	$ 5,477,947
Contributions and grants	1,660,189	97,577	-	1,757,766	1,603,543
Fees for services	53,902	-	-	53,902	64,902
In-kind revenue	25,205	-	-	25,205	24,371
Interest income	6,463	54	-	6,517	8,210
Net realized and unrealized gain (loss) on investments	46,976	-	-	46,976	37,169
Other income	163,317	-	-	163,317	196,812
Fundraising revenue	76,310	-	-	76,310	20,010
Restrictions released	297,575	(297,575)	-	-	-
Total revenue, support and restrictions released	8,036,369	(199,944)	-	7,836,425	7,432,964
EXPENSES					
Program services	6,404,681	-	-	6,404,681	6,118,225
Support services	1,100,906	-	-	1,100,906	993,614
Fundraising expenses	239,706	-	-	239,706	218,693
	7,745,293	-	-	7,745,293	7,330,532
CHANGE IN NET ASSETS	291,076	(199,944)	-	91,132	102,432
NET ASSETS - beginning of year, as restated	3,261,483	264,489	75,000	3,600,972	3,498,540
NET ASSETS - end of year	$ 3,552,559	$ 64,545	$ 75,000	$ 3,692,104	$ 3,600,972

See accompanying auditors' report and notes to financial statements.

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	Program Services	Support Services	Fundraising Expenses	2014 Total Expenses	2013 Total Expenses
Salaries and related expenses					
Salaries	$ 4,127,021	$ 614,534	$ 134,504	$ 4,876,059	$ 4,702,321
Payroll taxes	343,336	51,125	11,190	405,651	387,901
Employee benefits	425,979	63,430	13,883	503,292	422,618
	4,896,336	729,089	159,577	5,785,002	5,512,840
Other expenses					
Administrative costs	11,331	5,152	-	16,483	10,959
Advertising and promotion	1,979	678	3,847	6,504	12,497
Auto expense	7,396	-	-	7,396	10,463
Computer expenses	107,266	13,189	2,528	122,983	159,442
Dues and subscriptions	7,108	6,175	8,858	22,141	20,442
Education and training	82,489	4,333	860	87,682	97,306
Equipment rental and maintenance	58,435	8,035	880	67,350	51,867
Housing and food	39,988	-	-	39,988	10,773
Insurance	42,948	4,343	965	48,256	45,890
In-kind, supplies	14,527	-	10,678	25,205	24,371
Interest expense	10,104	-	-	10,104	19,767
Licenses and permits	888	3,049	441	4,378	6,076
Miscellaneous expenses	37,908	11,114	2,517	51,539	31,974
Outside services	85,546	136,219	2,311	224,076	168,089
Postage	3,653	1,396	5,579	10,628	9,201
Printing	45,913	4,719	18,615	69,247	71,516
Professional fees	286	55,543	-	55,829	36,886
Rent	296,656	62,312	5,259	364,227	303,145
Repairs and maintenance	73,172	6,209	132	79,513	88,709
Small equipment	11,258	2,360	752	14,370	12,259
Supplies	30,973	9,036	12,414	52,423	50,478
Taxes and licenses	1,051	961	-	2,012	2,155
Telephone	163,351	11,418	1,395	176,164	180,368
Travel	137,551	2,454	940	140,945	138,465
Utilities	41,583	90	90	41,763	70,050
	6,209,696	1,077,874	238,638	7,526,208	7,145,988
Depreciation	194,985	23,032	1,068	219,085	184,544
	$ 6,404,681	$ 1,100,906	$ 239,706	$ 7,745,293	$ 7,330,532

See accompanying auditors' report and notes to financial statements.

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 91,132	$ 102,432
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	219,085	184,544
Donated stock	-	(2,061)
Realized and Unrealized (Gain) loss on beneficial interest	(46,976)	(37,169)
(Increase) decrease in:		
Contracts receivable	285,252	23,376
Grants receivable	61,666	(68,750)
Other receivables	(54,984)	-
Deposits and prepaid expenses	45,401	(13,501)
Increase (decrease) in:		
Accounts payable	(7,197)	(10,754)
Accrued expenses	(49,802)	(75,492)
Accrued payroll and related liabilities	(59)	67,244
Amounts held for others	1,442	(865)
Total adjustments	453,828	66,572
Net Cash Provided (Used) by Operating Activities	544,960	169,004
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(157,908)	(383,655)
Reinvested funds on beneficial interest	16,114	(1,273)
Net Cash Provided (Used) by Investing Activities	(141,794)	(384,928)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from donated stock on investments	-	2,027
Principal payments related to mortgages payable	(14,644)	(13,651)
Principal payments on capital leases payable	(39,702)	(21,185)
Proceeds from borrowings of capital lease obligation	-	54,442
Net Cash Provided (Used) by Financing Activities	(54,346)	21,633
NET INCREASE (DECREASE) IN CASH	348,820	(194,291)
CASH AT BEGINNING OF YEAR	1,452,626	1,646,917
CASH AT END OF YEAR	$ 1,801,446	$ 1,452,626
Supplemental disclosures:		
Interest paid	$ 10,104	$ 19,767
In-kind contributions	$ 25,205	$ 24,371

See accompanying auditors’ report and notes to financial statements.

INTERFACE CHILDREN & FAMILY SERVICES
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. ORGANIZATION

Interface Children & Family Services (A Non-profit Organization) (Interface) is a multi-faceted; community based family service and advocacy organization serving Ventura County, California. Interface came into existence in 1973. In addition to the Main office located in Camarillo, California there are multiple facilities throughout Ventura County where services are rendered.

The primary sources of revenue are contracts and grants with various federal, state and local government agencies. In addition funds are received by Interface to supplement ongoing programs from United Way of Ventura County, First 5 Ventura County, various grantors and individual donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interface prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by Interface are described below to enhance the usefulness and understandability of the financial statements.

Financial Statement Presentation

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. ASC Topic 958, Sections 210 and 225 requires classification of Interface's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- Unrestricted net assets. Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of Interface, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Temporarily restricted net assets. Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Interface's unspent contributions are classified in this class if the donor limited their use, as is the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as temporarily restricted until the specified asset is placed in service by Interface, unless the donor provides more specific directions about the period of its use.

- Permanently restricted net assets. Permanently restricted net assets are resources whose use by Interface is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. At year-end, and throughout the year, Interface's cash balances, deposited in one bank, exceeded federally insured limits. Management believes Interface is not exposed to any significant credit risk on cash and cash equivalents.

Beneficial Interest in California Community Foundation

Interface has the unconditional right to receive all of the cash flows from its beneficial interest in the Ventura County Community Foundation. Interface records its beneficial interest at the fair value using the present value of the estimated future cash. The balance at June 30, 2014 consists of mutual fund investments and money instruments stated at market value.

Contracts, Grants, and Other Receivables

Receivables are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. Interface uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all contracts and grants receivables were collectible at year-end. No allowance for doubtful accounts for contracts and grants receivable is considered necessary at June 30, 2014.

Prepaid Expenses

Prepaid insurance and other costs are expensed ratably over their respective terms of agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Office of Management and Budget Circular A-133 and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, Interface's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of Interface.

Revenue Recognition

Revenues from government agencies, service fees, and other third-party payors for services provided under such contracts are recognized when earned by Interface. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contract Advances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Vacation Policy

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to Interface as follows:

Years Employed	Annualized Accrual
0 - 1 years	10 Days
1+ - 3 years	12 Days
3+ - 7 years	15 Days
7+ - 10 years	20 Days
10+ years	25 Days

Part-time employees working 20 to 29 hours per week accrue vacation at one-half the annualized accrual that full-time staff earns. The maximum vacation accrual that can be earned is 1 ½ times the employees annual accrual. Unused vacation leave will be paid at the time of termination. Total accrued vacation at June 30, 2014, was $221,557.

Property and Equipment

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. The minimum dollar amount for capitalizing and depreciating an asset is $1,500. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	5 - 30 years
Building Improvements	5 - 30 years
Computer Equipment	3 - 7 years
Furniture and Equipment	2 - 5 years
Vehicles	3 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Interface is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Interface has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position.

As of and for the year ended June 30, 2014, Interface had no material unrecognized tax benefits, tax penalties or interest. Interface's Forms 990, Return of Organization Exempt from Income Tax, for the tax years ended June 30; 2013, 2012, and 2011, are subject to examination by the IRS, generally for 3 years after they were filed.

Expense Recognition and Allocation

The cost of providing Interface's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of Interface.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Interface generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, Interface's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Interface's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain amounts in the 2013 comparative totals have been reclassified to conform with the 2014 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Interface's financial statements for the year ended June 30, 2013 from which the summarized information was derived.

Fair Value Measurements

Interface reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which Interface has access on the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, Interface measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. CONTRACTS AND GRANTS RECEIVABLES

Contracts and grants receivables at June 30, 2014 consist of the following:

Contracts receivable	$ 1,512,802
United Way of Ventura County	103,334
	$ 1,616,136

In management's opinion, all receivables were collectible at year-end and therefore no allowance for doubtful accounts was considered necessary at June 30, 2014.

4. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

Custodial Investments Held by Others represents contributions made to Interface that have been invested by Interface with the Ventura County Community Foundation (VCCF). Interface has adopted a Total Return Concept, which recognizes that capital appreciation, as well as income, over time adds significant value to the portfolio. This philosophy is also shared by VCCF. Accordingly, the Custodial Investments Held by Others is reported at its fair market value in the Statement of Financial Position and unrealized gains and losses are included in the Statement of Activities.

By choosing VCCF to manage these investments, Interface has accepted the VCCF investment philosophy and the payout/distribution policy adopted by VCCF. The investment philosophy requires VCCF to invest in quality equity securities and bonds. For the year ended June 30, 2014 the payout/distribution policy for custodial investments in excess of 100% of principal value provides for a 5% annual payout/distribution using a twelve-quarter rolling average of market values to determine the annual payout available. Custodial Investments with less than 100% of principal value will be permitted distributions in the range of 2-4% of the twelve quarter rolling average.

With current earnings on the custodial investments, Interface has three options. The first is to accept the current earnings from VCCF. The second option is to reinvest these earnings as additional principal in the custodial investments. The third option is to have VCCF hold the income for future distribution in the VCCF money market fund. Interface has elected the third option for the year ended June 30, 2014. The Fund's fair market value at June 30, 2014 was of $381,409. The composition is as follows using level 2 inputs:

Beginning balance	$ 350,547
Dividends and interest reinvested	4,480
Unrealized gain/loss included in changes in net assets	29,922
Realized gain/loss	17,054
Less investment fees and sales proceeds	(20,594)
Total	$ 381,409

5. EARNINGS ON BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The earnings on the beneficial interest in funds held by others have been included in Unrestricted Community Support and Other Income and consist of the following at June 30, 2014:

Interest/Dividend Income	$ 4,480
Realized and Unrealized Gains (Losses), net	46,976
Net Earnings (Loss) for Year	$ 51,456

6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 consists of:

Automobile Equipment	$ 76,483
Building and Improvements	735,300
Computer Equipment	397,015
Furniture and Fixtures	331,375
Land	74,941
Work in Progress	205,446
	1,820,560
Less: Accumulated Depreciation	(941,876)
Property and equipment, net	$ 878,684

Total depreciation expense for the year ended June 30, 2014 was $219,085.

7. BORROWING ARRANGEMENTS

Mortgage Payable

Interface entered into a mortgage payable with City National Bank effective June 2002 and maturing May 2032. The loan is secured by a trust deed. Effective January 1, 2013, the loan is payable in monthly installments of $587 per month with interest payable at 3.875% per annum. The balance owed at June 30, 2014 was $90,926. For the year ended June 30, 2014 interest expense was $3,596.

Future minimum payments on the mortgage payable at June 30, are as follows:

Year ended June 30,	
2015	$ 3,587
2016	3,728
2017	3,875
2018	4,028
2019	4,187
Thereafter	71,521
Total	$ 90,926

7. BORROWING ARRANGEMENTS - Continued

Mortgage Payable

On June 29, 2000, Interface entered into a mortgage payable with the City of Simi Valley which matures June 2022. The loan is secured by a trust deed. The loan is payable in annual installments of $5,000 per year with no interest. The balance owed at June 30, 2014 was $40,000.

Future minimum payments on the mortgage payable at June 30, are as follows:

Year ended June 30,	
2015	$ 5,000
2016	5,000
2017	5,000
2018	5,000
2019	5,000
Thereafter	15,000
Total	$ 40,000

Interface entered into a mortgage payable with Union Bank which matures January 2034. The loan is secured by a trust deed. The loan is payable in monthly installments of $1,063 per month with interest payable at 3.625% per annum. The balance owed at June 30, 2014 was $178,693. For the year ended June 30, 2014 interest expense was $6,506.

Future minimum payments on the mortgage payable at June 30, are as follows:

Year ended June 30,	
2015	$ 6,468
2016	6,672
2017	6,889
2018	7,113
2019	7,345
Thereafter	144,206
Total	$ 178,693

7. BORROWING ARRANGEMENTS - Continued

Mortgage Payable

Non-interest bearing, Community Development Block Grant mortgages payable consist of the following at June 30, 2014:

Non-interest bearing second trust deed provided by the City of Port Hueneme that requires Interface to maintain a transitional living facility for a 20 year period starting on May 1, 2002, at which time the loan will be forgiven. If Interface either modifies the use of or sells the facility prior to May 1, 2022, the loan will become due and payable.	$ 30,000
Non-interest bearing trust deed provided by the City of Port Hueneme that requires Interface to maintain a transitional living facility for a 20 year period starting January 27, 2003, at which time the loan will be forgiven. If Interface either modifies the use of or sells the facility prior to January 23, 2023, the loan will become due and payable.	28,000
Community Development Block Grant Sub-recipient Contract dated July 16, 1996. The contract requires Interface to maintain transitional living facilities in Port Hueneme and Santa Paula. If Interface either modifies the use of or sells the facility the awarding agency is due the original contract amount plus a portion of the equity growth equivalent to their original participation.	75,440
	$ 133,440

Line of Credit

Pursuant to a revolving line of credit agreement with Rabobank which expires on November 30, 2015, Interface may borrow up to $500,000 bearing interest at the current index rate, as defined, generally 6% per annum. The loan agreement is collateralized by all of Interface's inventory, owned equipment, accounts, and general intangibles. The line of credit agreements contains certain covenants which were in compliance during the year ended June 30, 2014. There was no balance due to the bank at June 30, 2014.

8. CAPITAL LEASE OBLIGATIONS

On February 5, 2013, Interface entered into a Lease Agreement with Cisco Systems, Inc. for $34,330 for communications equipment payable for a period of 3 years in monthly installments of $1,052 per month, including interest payable at 6.50%. The balance owed at June 30, 2014 was $20,832. For the year ended June 30, 2014 interest expense was $1,741.

Future minimum lease payments are as follows for June 30,:

2015	$ 11,614
2016	9,218
Total	$ 20,832

On February 5, 2013, Interface entered into a Lease Agreement with De Lage Landen Financial Services, Inc. for $22,725 for communications equipment payable for a period of 3 years in monthly installments of $699 per month, including interest payable at 6.74%. The balance owed at June 30, 2014 was $18,658. For the year ended June 30, 2014 interest expense was $826.

Future minimum lease payments are as follows for June 30,:

2015	$ 7,355
2016	7,866
2017	3,437
Total	$ 18,658

On October 13, 2011 Interface entered into a Lease Agreement with Western Finance & Lease, Inc. for computer equipment payable in monthly installments of $2,331 per month, including interest payable at 15.66%. The balance owed at June 30, 2014 was $6,813. For the year ended June 30, 2014 interest expense was $3,216.

Future minimum lease payments are as follows for June 30,

2015	$ 6,813
Total	$ 6,813

9. ACCRUED EXPENSES

Accrued expenses consisted of accounting fees and insurance premiums. Total accrued expenses for the year ended June 30, 2014 were $32,258.

10. COMMITMENTS

Facilities

Interface leases some of its facilities under non-cancelable, non-financing leases. Some of the leases are subject to annual increases based upon increases in the Consumer Price Index. Rent expense for year ended June 30, 2014 was $364,227, which includes all of the facilities rented on a month-to-month basis as well as the facilities leased under rental lease agreements.

Minimum lease payments under these leases at June 30, are as follows:

2015	$ 346,170
2016	293,152
2017	254,436
2018	237,394
Total	$ 1,131,152

Equipment

Interface leases office equipment under operating leases with varying expirations for total annual lease payments of $67,350.

2015	$ 55,442
2016	53,829
2017	52,838
2018	48,784
2019	5,123
Total	$ 216,016

11. CONTRIBUTORY RETIREMENT PLAN

Interface maintains a contributory retirement plan available to eligible employees which allows participants to make tax deferred investment contributions. Full-time employees are eligible to participate on the first of the month following the completion of 30 days of service. Interface makes no contributions to the plan.

12. FUND DEVELOPMENT

Interface conducted various special events and fundraising activities during the year. The revenue and expenses from fund development activities for the year ended June 30, 2014 were as follows:

Revenue	$ 76,310
Fundraising expenses	(15,093)
Fund development, net	$ 61,217

13. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014, are available for the following purposes:

Mental Health	$ 7,285
VCCF Newman II Fund	15,475
VCCF JCB Fund for Abused Children	22,000
Domestic Violence Shelters Program	19,731
Interest restricted under SPMIFA	54
	$ 64,545

Amounts released from restrictions during the year ended June 30, 2014 were as follows:

Domestic Violence Shelters Program	$ 255,406
Mental Health	42,169
	$ 297,575

Restated permanently restricted net assets at June 30, 2014, are resources invested in perpetuity, the income which is available for the following purposes:

Wells Fargo Endowment Fund	$ 75,000
	$ 75,000

Earnings from the fund may be used by Interface for the domestic violence programs. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Fund

Interface follows the provisions of ASC 958 Section 205-45, *Reporting Endowment Funds*. These provisions provide guidance on the net asset classification of donor-restricted endowment funds for a non-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

13. RESTRICTED NET ASSETS - Continued

Interpretation of Relevant Law

The Board of Directors of Interface have interpreted State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, Interface classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The net asset composition of the endowment as of June 30, 2014, is as follows:

Type-of Endowment Fund	Permanently Restricted	Total
Donor-restricted funds:		
Permanent endowment	$ 75,000	$ 75,000
Total	$ 75,000	$ 75,000

The changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2013,	$ 31	$ 75,000	$ 75,031
Investment income	23	-	23
Endowment net assets, June 30, 2014	$ 54	$ 75,000	$ 75,054

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA is $75,000 at June 30, 2014.

13. RESTRICTED NET ASSETS - Continued

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires Interface to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets, when applicable. There were no such deficiencies as of June 30, 2014.

14. CONCENTRATION RISK

The majority of Interface's contributions and grants are received from corporations, foundations, and individuals located in the greater Los Angeles metropolitan area and from agencies of the state of California and Ventura County. As such, Interface's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for Interface's services.

Interface's funds held by others are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to Interface's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

15. CONTINGENCIES

Interface has received local, state, and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grants or contracts, it is management's opinion that any required reimbursements will not be material.

16. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2014, Interface corrected an error in accounting for a permanently restricted contribution received in prior years. Accordingly, 2013 unrestricted net assets were decreased by $75,000 and permanently restricted net assets were increased by $75,000.

17. SUBSEQUENT EVENTS

Interface has evaluated events subsequent to June 30, 2014, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 27, 2015, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.