

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2018 AND 2017



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.

DECEMBER 31, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-3
Financial Statements:	
Statements of Financial Position.....	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-17
Supplementary Information	
Schedule of Expenditures of Federal and State Awards	18
Notes to Schedule of Expenditures of Federal and State Awards	19
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 <i>Government Auditing Standards</i>	20-21
Schedule of Findings and Questioned Costs.....	22

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Interfaith Hospitality Network
for the Homeless of Essex County, Inc.
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Interfaith Hospitality Network for the Homeless of Essex County, Inc. ("IHN"), a New Jersey nonprofit organization, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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 the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to IHN'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 IHN's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHN as of December 31, 2018, 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.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

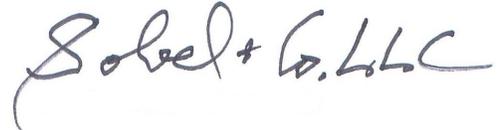
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards shown on page 18, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Office of Management and Budget Circular Letter 15-08, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2019, on our consideration of IHN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHN's internal control over financial reporting and compliance.

Report on Summarized, Comparative Information

We have previously audited IHN's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2018. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey
September 4, 2019

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 132,032	\$ 27,669
Restricted cash	156	155
Pledges receivable, short-term	161,609	162,614
Contributions receivable	20,000	71,418
Grants receivable	67,224	118,500
Accounts receivable	7,500	6,000
Prepaid expenses	14,518	1,742
Total Current Assets	<u>403,039</u>	<u>388,098</u>
PROPERTY AND EQUIPMENT, NET	18,069	29,317
PLEDGES RECEIVABLE, LONG-TERM, NET	133,786	227,303
SECURITY DEPOSITS	<u>2,500</u>	<u>2,500</u>
	<u>\$ 557,394</u>	<u>\$ 647,218</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 8,171	\$ 7,808
Deferred revenue	23,130	-
Total Current Liabilities	<u>31,301</u>	<u>7,808</u>
NET ASSETS:		
Without Donor Restrictions	302,307	301,903
With Donor Restrictions	223,786	337,507
Total Net Assets	<u>526,093</u>	<u>639,410</u>
	<u>\$ 557,394</u>	<u>\$ 647,218</u>

INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018
(With Summarized Comparative Totals for the Year Ended December 31, 2017)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2018	TOTAL 2017
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 167,362	\$ 91,845	\$ 259,207	\$ 343,932
Foundations	127,547	-	127,547	164,247
Religious organizations	31,418	-	31,418	15,862
Business organizations	25,724	-	25,724	29,070
Community groups	8,457	-	8,457	8,060
Government grants	288,946	-	288,946	339,688
Gifts in-kind	43,051	360	43,411	18,124
Program service revenue	9,000	-	9,000	18,250
Special events, net of expenses of \$2,717 in 2018	14,452	-	14,452	27,681
Total Support and Revenue	715,957	92,205	808,162	964,914
NET ASSETS RELEASED FROM RESTRICTIONS	205,926	(205,926)	-	-
EXPENSES				
Program services	702,886	-	702,886	706,042
Supporting services:				
Management and general	120,757	-	120,757	103,970
Fundraising	97,836	-	97,836	104,649
Total Supporting Services	218,593	-	218,593	208,619
Total Expenses	921,479	-	921,479	914,661
CHANGES IN NET ASSETS	404	(113,721)	(113,317)	50,253
NET ASSETS - Beginning of year	301,903	337,507	639,410	589,157
NET ASSETS - End of year	\$ 302,307	\$ 223,786	\$ 526,093	\$ 639,410

The accompanying notes are an integral part of these financial statements.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

(With Summarized Comparative Totals for the Year Ended December 31, 2017)

	<u>Supporting Services</u>				2018 Total	2017 Total
	Program Expenses	Fundraising	Management and General	Total		
SALARIES AND RELATED EXPENSES:						
Salaries	\$ 227,321	\$ 44,283	\$ 23,618	\$ 67,901	\$ 295,222	\$ 300,708
Payroll taxes	18,538	3,611	1,926	5,537	24,075	24,416
Employee benefits	23,902	4,656	2,484	7,140	31,042	29,435
	<u>269,761</u>	<u>52,550</u>	<u>28,028</u>	<u>80,578</u>	<u>350,339</u>	<u>354,559</u>
OTHER EXPENSES:						
Client services	288,841	-	-	-	288,841	300,801
Professional fees	30,967	5,901	28,147	34,048	65,015	63,536
Insurance	14,203	1,945	1,037	2,982	17,185	12,543
Office rent and utilities	33,420	4,914	4,072	8,986	42,406	41,316
Building repair and maintenance	613	90	75	165	778	475
Office supplies and expenses	21,697	4,227	2,254	6,481	28,178	27,452
Telecommunications	14,025	2,732	1,457	4,189	18,214	14,670
Printing and postage	159	31	17	48	207	1,900
Fundraising costs	13,420	23,034	-	23,034	36,454	38,136
Dues and subscriptions	942	427	193	620	1,562	2,020
Bad debt expense	-	-	54,032	54,032	54,032	40,406
Staff development	5,973	681	365	1,046	7,019	5,849
	<u>694,021</u>	<u>96,532</u>	<u>119,677</u>	<u>216,209</u>	<u>910,230</u>	<u>903,663</u>
Total Expenses before Depreciation						
Depreciation	8,865	1,304	1,080	2,384	11,249	10,998
	<u>8,865</u>	<u>1,304</u>	<u>1,080</u>	<u>2,384</u>	<u>11,249</u>	<u>10,998</u>
Total Expenses	<u>\$ 702,886</u>	<u>\$ 97,836</u>	<u>\$ 120,757</u>	<u>\$ 218,593</u>	<u>\$ 921,479</u>	<u>\$ 914,661</u>

The accompanying notes are an integral part of these financial statements.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.
STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2018	2017
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ (113,317)	\$ 50,253
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	11,249	10,998
Bad debt expense	54,032	40,406
Discount on pledges receivable	(8,367)	9,337
Changes in certain assets and liabilities:		
Pledges receivable	48,857	(64,089)
Contributions receivable	51,418	(26,961)
Grants receivable	51,276	(51,913)
Accounts receivable	(1,500)	(6,000)
Prepaid expenses	(12,779)	3,900
Accounts payable and accrued expenses	365	3,179
Deferred revenue	23,130	(19,234)
Net Cash Provided by (Used for) Operating Activities	<u>104,364</u>	<u>(50,124)</u>
<u>INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	-	(5,077)
Net Cash Used for Investing Activities	<u>-</u>	<u>(5,077)</u>
<u>FINANCING ACTIVITIES:</u>		
Borrowings on line of credit	10,000	47,054
Repayment of line of credit	(10,000)	(47,054)
Net Cash Used for Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,364	(55,201)
CASH AND CASH EQUIVALENTS, Beginning of year	27,824	83,025
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 132,188</u>	<u>\$ 27,824</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	<u>\$ 123</u>	<u>\$ 77</u>

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 - ORGANIZATION:

Established in 1987, Interfaith Hospitality Network for the Homeless of Essex County, Inc. (“IHN” or “Organization”) is a nondenominational organization based in Montclair, New Jersey, that provides shelter, direct social services, and housing assistance so homeless and “at risk” families in Essex County can find and sustain a home. Through the IHN Congregational Shelter Program, local congregations and their volunteers provide temporary, overnight lodging and meals for homeless families. While families are in the shelter program, IHN provides intensive case management services to help each family establish a goal-driven plan to overcome homelessness. IHN assists families with safe, affordable, permanent or transitional housing and provides services to families after they leave the shelter program, helping them transition to self-reliance and stability. IHN provides educational and enrichment programs for children and adults in shelter and housing.

IHN is also an experienced service provider of foundation and government social services grant programs, providing homeless prevention services and education programs to shelter families, and to the “at risk” children and families of Essex County at large.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Reporting for Nonprofit Entities:

The Organization adopted the Financial Accounting Standards Board (“FASB”), *Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classifications.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash consists of funds maintained in checking, savings and money market accounts. Certificates of deposit with maturities of three months or less when purchased are considered to be cash equivalents.

Restricted Cash:

Restricted cash includes separate accounts required to be maintained for the following grants: Emergency Shelter Grant Rapid Re-housing, Emergency Shelter Grant Shelter Operations, and Community Development Block Grant.

Pledges Receivable:

Pledges receivable are recognized as revenue in the period received at fair value if they are unconditional promises. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

IHN charges uncollectible pledges receivable to operations when determined to be uncollectible based on historical trends. The allowance for uncollectible pledges has been reviewed by management and it has been determined to be adequate. At December 31, 2018 and 2017, the allowance for uncollectible pledges receivable was \$30,900 and \$24,800, respectively.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances for these program receivables. IHN charges uncollectible receivables to operations when determined to be uncollectible. Management has reviewed the balance and determined that an allowance of zero is adequate based on historical trends.

Property and Equipment:

Property and equipment are stated at cost, or, if donated, at the fair market value at the date of gift. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Life</u>
Transportation equipment	5-7 years
Leasehold improvements	3-4 years
Furniture and equipment	10 years

Revenue Recognition and Grants Receivable:

Funds received from various state and local agencies represent grants awarded to IHN to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Grants receivable represent amounts due to IHN from governmental agencies for expenditures incurred during the years ended December 31, 2018 and 2017. Deferred revenue represents funds received which have not been expended at year-end. As of December 31, 2018, deferred revenue was \$23,130. There was no deferred revenue at December 31, 2017.

Contributions:

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to IHN that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Contributions (continued):

Contributions receivable are receivables that IHN expects to be collected within one year and are recorded at their net realizable value. IHN charges uncollectible receivables to fundraising when determined to be uncollectible. The allowance for uncollectible receivables has been reviewed by management and it has been determined that no allowance is necessary based on historical collection trends.

Functional Allocation of Expenses:

Costs of providing the Organization's program services, management and general, and fundraising activities are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising activities benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization. Client services and bad debt expense are based on the direct-costing method. All other expenses are based on time and effort.

Income Taxes:

IHN is exempt from federal and state income taxes, under Section 501(c)(3) of the Internal Revenue Code.

IHN follows standards that provide clarification on accounting for uncertainty in income taxes recognized in IHN's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. IHN's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2018 or 2017. At December 31, 2018 and 2017, there were no significant income tax uncertainties and penalties, disclosures or transitions. IHN's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Donated Services and Materials:

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and that typically would be purchased if not provided by donation. In 2018, the Organization recognized \$25,000 of donated consulting services from Harvard Business School. No amounts were recognized in the financial statements for donated services for the year ended December 31, 2017. IHN also received additional donated materials and meals of \$18,411 and \$18,124, respectively, which are recorded in the accompanying statements of activities and changes in net assets.

Advertising:

IHN expenses advertising costs as they are incurred.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date for the pronouncement is for periods beginning after December 15, 2018. The Organization is currently evaluating the effect the provisions of this standard will have on the financial statements.

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Under this pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of the initial application. The effective date for the pronouncement is for periods beginning after December 15, 2019. The Organization is currently evaluating the effect the new standard will have on the financial statements.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Summarized, Comparative Information:

The financial statements include certain prior-year summarized, comparative information in total but not by net asset class or functional area. 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 IHN's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent Events:

IHN has evaluated its subsequent events and transactions occurring after December 31, 2018 through September 4, 2019, the date that the financial statements were available to be issued.

NOTE 3 - PLEDGES RECEIVABLE:

All pledged commitments have been made for the benefit of homeless families.

Pledges are expected to be received as follows:

	December 31,	
	2018	2017
In less than one year	\$161,609	\$162,614
In one to five years	176,056	271,840
Pledges receivable	337,665	434,454
Less: Allowance for uncollectible pledges	(30,900)	(24,800)
Less: Unamortized discount	(11,370)	(19,737)
Net Pledges Receivable	<u>\$295,395</u>	<u>\$389,917</u>

Pledges receivable with due dates extending beyond one year are discounted using rates at December 31, 2018 and 2017, of 4.00%.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2018	2017
Transportation equipment	\$ 36,654	\$ 36,654
Leasehold improvements	29,122	29,122
Furniture and equipment	35,344	35,344
	<u>101,120</u>	<u>101,120</u>
Less: Accumulated depreciation	(83,051)	(71,803)
	<u>\$ 18,069</u>	<u>\$ 29,317</u>

NOTE 5 - LINE OF CREDIT:

IHN has a revolving line of credit with a financial institution that will expire on April 1, 2020. Portions of this line of credit in the amount of \$50,000 were drawn down during 2018 and 2017, but the outstanding balance was paid in full as of December 31, 2018 and 2017. Bank advances on the line of credit are payable on demand and carry an interest rate of 1.25% over the prime rate (as published in the Wall Street Journal). Under no circumstances will the interest rate be less than 4.75% as of December 31, 2018. The line of credit is unsecured.

NOTE 6 - OPERATING LEASES:

IHN has an operating lease for office space expiring August 31, 2019. The monthly rent expense was \$3,083 for the first year through August 31, 2015, followed by an annual increase of 3% each year thereafter until termination.

Rental expense for the remainder of the lease is as follows:

<u>Year</u>	<u>Amount</u>
2019	<u>27,752</u>
Total	<u>\$ 27,752</u>

Rental expense under this operating lease for the years ended December 31, 2018 and 2017, was \$42,406 and \$41,316, respectively.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	December 31,	
	2018	2017
Purchase of furniture and equipment	\$ 364	\$ 6,700
Purchase of videos	-	6,370
Camps	1,200	6,200
Purchase of holiday gifts for clients	360	640
Expired time restrictions on pledges received	204,002	242,462
	<u>\$ 205,926</u>	<u>\$ 262,372</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

The following net assets with donor restrictions are available for the following purposes:

	December 31,	
	2018	2017
Purchase of furniture and equipment	\$ 1,348	\$ 1,712
Time restriction on pledges receivable	222,438	335,795
	<u>\$ 223,786</u>	<u>\$ 337,507</u>

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets at December 31, 2018, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside by the Board of Trustees that could be drawn upon if the Board approves that action.

	2018
Cash and cash equivalents	\$ 132,188
Pledges receivable, short-term	161,609
Accounts and contributions receivable	27,500
Grants receivable	67,224
Total financial assets	388,521
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(223,786)
Financial assets available to meet general expenditures over the next 12 months	\$ 164,735

The Organization's goal is to maintain financial assets to meet 30 days of operating expenses (approximately \$71,000). The Organization has a policy to structure its financial assets to be available as its general expenditures and liabilities come due. The Organization has a credit line available to them that is utilized in the event of a shortage of cash. At December 31, 2018, the Organization also has \$50,000 available on the line of credit.

NOTE 10 - CONCENTRATIONS OF RISK:

Support and Revenue:

IHN received a substantial portion of its revenues from federal and state programs. IHN received approximately 36% and 35% for the years ended December 31, 2018 and 2017, respectively, from government grants. A material reduction of such support could have a significant impact on IHN's operations. Management, however, does not expect that its support will be materially reduced. IHN is also subject to audits by certain state and federal agencies which may result in findings based on various issues. Anticipation of potential audit results is currently not determinable. Accordingly, no accruals have been recorded in the financial statements for any adjustments that might be required based on potential future audits.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 - CONTINGENCIES: (Continued)

Legal:

IHN is involved with certain claims and other routine litigation matters in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on IHN's financial position or results of operations.

INTERFAITH HOSPITALITY NETWORK FOR THE HOMELESS OF ESSEX COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2018

Grantor / Program Title	Federal CFDA Number	Contract Number	Contract Amount	Current Year Expenditures
FEDERAL AWARDS				
United States Department of Housing and Urban Development				
Passed Through Essex County Division of Housing and Community Development:				
Emergency Shelter Grant Rapid Re-Housing	14.231	E-18-UC-34-0014	\$ 24,513	\$ 24,513
Emergency Shelter Grant Rapid Re-Housing	14.231	E-16-UC-34-0014	50,000	22,882
Emergency Shelter Grant Rapid Re-Housing	14.231	E-17-UC-34-0014	64,750	49,175
Emergency Shelter Grant Shelter Operations	14.231	E-18-UC-34-0014	70,000	37,623
Community Development Block Grant	14.218	B-17-UC-34-0101	19,600	8,167
Community Development Block Grant	14.218	B-18-UC-34-0101	19,600	12,473
Total Passed Through Essex County Housing and Community Development			248,463	154,833
Federal Emergency Management Agency				
Passed Through Essex County Local Board Emergency Food and Shelter Program				
	97.024	N/A	51,480	28,350
TOTAL FEDERAL AWARDS			299,943	183,183
STATE AWARDS				
State of New Jersey Department of Community Affairs				
Passed Through Essex County Department of Community Affairs: Social Services for the Homeless				
	N/A	SSH18007	105,763	105,763
TOTAL STATE AWARDS			105,763	105,763
TOTAL FEDERAL AND STATE AWARDS			\$ 405,706	\$ 288,946

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Interfaith Hospitality Network for the Homeless of Essex County, Inc. (“IHN”) under programs of the federal and state government for the year ended December 31, 2018, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2018, IHN did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

During the year ended December 31, 2018, IHN did not elect to use the de minimis cost rate when allocating indirect costs to federal or state programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2018, IHN did not have any federal or state loan or loan guarantee programs.

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 Trustees
Interfaith Hospitality Network
for the Homeless of Essex County, Inc.
Montclair, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Interfaith Hospitality Network for the Homeless of Essex County, Inc. ("IHN"), which comprise the statement of financial position as of December 31, 2018, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2019.

Internal Control Over Financial Reporting

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

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

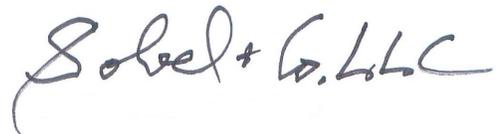
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IHN's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion 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 IHN's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHN's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Livingston, New Jersey
September 4, 2019

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Summary of Auditors' Results:

Financial Statements

The auditors' report issued on the financial statements of IHN was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X No

- Noncompliance material to financial
statements noted? _____ Yes X No

I. Findings – Financial Statement Audit:

NONE

III. Findings and Questioned Costs – Federal Awards:

NONE

IV. Prior Audit Findings:

Item 2017-001 Material Weakness in Internal Controls at the Financial Statement Level

Condition: Significant audit adjustments were proposed to record revenue at the appropriate value. Three of thirteen pledge receivable confirmations sent indicated that pledges and related contribution revenue recorded by IHN were overstated.

Current Status: Remediated.