

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2013

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

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To the Board of Trustees of
Interfaith Hospitality Network
For the Homeless of Essex County, Inc.
Montclair, NJ

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying 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, 2013, and the related statements of activity, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Hospitality Network for the Homeless of Essex County, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited IHN's 2012 financial statements, and our report dated June 3, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hambrides, Arnold, Moulthrop LLP

August 22, 2014

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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 37,674	\$ 59,927
Pledges receivable, net (Note 3)	315,693	338,118
Grants receivable	142,704	55,232
Rents and other receivable	7,878	4,264
Prepaid expenses	11,373	12,307
Fixed assets, net of accumulated depreciation of \$71,452 - 2013 and \$60,316 - 2012 (Note 4)	12,614	16,773
Security deposit	<u>9,850</u>	<u>9,850</u>
Total assets	<u>\$ 537,786</u>	<u>\$ 496,471</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 50,440</u>	<u>\$ 8,618</u>
Total current liabilities	<u>50,440</u>	<u>8,618</u>
Net Assets:		
Unrestricted	476,880	477,522
Temporarily restricted (Note 7)	<u>10,466</u>	<u>10,331</u>
Total net assets	<u>487,346</u>	<u>487,853</u>
Total liabilities and net assets	<u>\$ 537,786</u>	<u>\$ 496,471</u>

See notes to the financial statements.

Exhibit A

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	UNRESTRICTED	TEMPORARILY RESTRICTED	<u>TOTAL</u> 2013	<u>TOTAL</u> 2012
Support and Revenue:				
Contributions:				
Individuals	\$ 205,758		\$ 205,758	\$ 269,758
Foundations	88,994	\$ 7,113	96,107	120,917
Religious organizations	22,595		22,595	21,212
Business and industry	12,549		12,549	6,320
Community groups	15,576		15,576	9,000
Government grants	360,144		360,144	156,632
Gifts in-kind	4,160		4,160	11,113
Program service revenue	15,087		15,087	26,579
Investment income	12		12	23
Loss on uncollectible pledges	(28,794)		(28,794)	(24,885)
Net assets released from restriction	<u>6,978</u>	<u>(6,978)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>703,059</u>	<u>135</u>	<u>703,194</u>	<u>596,669</u>
Expenses:				
Program services	<u>585,604</u>		<u>585,604</u>	<u>449,965</u>
Supporting services:				
Management and general	34,346		34,346	43,140
Fundraising	<u>83,751</u>		<u>83,751</u>	<u>85,483</u>
Total supporting services	<u>118,097</u>		<u>118,097</u>	<u>128,623</u>
Total expenses	<u>703,701</u>		<u>703,701</u>	<u>578,588</u>
Change in Net Assets	(642)	135	(507)	18,081
Net Assets at Beginning of Year	<u>477,522</u>	<u>10,331</u>	<u>487,853</u>	<u>469,772</u>
Net Assets at End of Year	<u>\$ 476,880</u>	<u>\$ 10,466</u>	<u>\$ 487,346</u>	<u>\$ 487,853</u>

See notes to the financial statements.

Exhibit B

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (507)	\$ 18,081
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	11,136	10,175
(Increase) decrease in:		
Pledges receivable	22,425	(34,258)
Government grants receivable	(87,472)	2,486
Rents and other receivable	(3,614)	287
Prepaid expenses	934	2,504
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>41,822</u>	<u>(3,016)</u>
Net cash used by operating activities	<u>(15,276)</u>	<u>(3,741)</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>(6,977)</u>	<u>(1,906)</u>
Net cash used by investing activities	<u>(6,977)</u>	<u>(1,906)</u>
Net Decrease in Cash and Cash Equivalents	(22,253)	(5,647)
Cash and Cash Equivalents at Beginning of Year	<u>59,927</u>	<u>65,574</u>
Cash and Cash Equivalents at End of Year	<u>\$ 37,674</u>	<u>\$ 59,927</u>

See notes to the financial statements.

Exhibit C

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	SUPPORTING SERVICES			TOTAL EXPENSES		
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	2013	2012
Salaries	\$ 149,790	\$ 17,284	\$ 24,965	\$ 42,249	\$ 192,039	\$ 249,610
Payroll taxes	16,070	1,854	2,678	4,532	20,602	28,443
Employee benefits	10,139	1,170	1,690	2,860	12,999	16,967
Total salary and related expense	175,999	20,308	29,333	49,641	225,640	295,020
Client services	287,947			-	287,947	131,495
Professional fees	48,021	5,541	8,004	13,545	61,566	16,608
Insurance	14,584	1,683	2,430	4,113	18,697	19,647
Office rent and utilities	28,339	3,270	4,723	7,993	36,332	35,337
Building repair and maintenance	1,140	131	190	321	1,461	585
Office supplies and expenses	10,971	1,266	1,829	3,095	14,066	15,227
Telecommunications	5,555	641	926	1,567	7,122	10,428
Printing and Postage	1,956	226	326	552	2,508	8,864
Fundraising costs			34,141	34,141	34,141	31,470
Dues and subscriptions	546	63	91	154	700	2,190
Staff development	1,860	215	310	525	2,385	1,542
Total expenses before depreciation	576,918	33,344	82,303	115,647	692,565	568,413
Depreciation	8,686	1,002	1,448	2,450	11,136	10,175
Total expenses	\$ 585,604	\$ 34,346	\$ 83,751	\$ 118,097	\$ 703,701	\$ 578,588

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. Organization:

Established in 1987, Interfaith Hospitality Network for the Homeless of Essex County, Inc., (IHN) is a non-denominational organization, based in Montclair, NJ 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 our shelter families, and to the “at risk” children and families of Essex County at large.

Interfaith Hospitality Network for the Homeless of Essex County, Inc., is a not-for-profit organization as described in Section 501 c (3) of the Internal Revenue Code, and is classified by the IRS as other than a private foundation. IHN is exempt from federal and state income tax.

2. Summary of Significant Accounting Policies:

The following significant accounting policies followed by IHN are described below to enhance the usefulness of the financial statements to the reader.

(a) *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

(b) *Net Assets*

The net assets of IHN and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate IHN to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by IHN which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

2. Summary of Significant Accounting Policies: (continued)

(c) *Contributions*

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

(d) *Cash and Cash Equivalents*

Cash includes checking, savings and money market accounts. Certificates of deposit with maturity of three months or less when purchased are considered to be cash equivalents.

(e) *Firm Pledges*

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received within one year are recorded at net realized value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue.

(f) *Land, Buildings and Equipment*

Land, buildings and equipment are stated at cost, or if donated, at the fair market value at the date of gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Estimated useful lives are:

Transportation equipment	5-7 years
Leasehold improvements	3-4 years
Furniture and equipment	10 years

(g) *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 in the financial statements and accompanying notes. Actual results could differ from these estimates.

(h) *Donated Materials and Services*

- IHN receives donations of food, clothing and other materials which are recorded as support at their estimated fair value at the date of donation and are expensed for program services.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

2. Summary of Significant Accounting Policies: (continued)

- Donated services are recognized as contributions in accordance with FASB ASC No. 958, *Not-for-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHN.
- IHN receives significant amounts of donated services from unpaid volunteers who assist in program services and supporting services. Approximately 2,000 volunteers assisted IHN in program and supporting services during 2013. No amounts for volunteer services have been recorded in IHN's financial statements for the year ended December 31, 2013 because the criteria for recognition in accordance with FASB ASC No. 958 have not been met.

(i) *Prior-Year Summarized Comparative Information*

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 generally accepted accounting principles. Accordingly such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

(j) *Reclassification*

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

3. Pledges Receivable:

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

Pledges as of December 31, 2013, are expected to be received as follows:

In less than one year	\$ 156,857
In one to five years	<u>190,424</u>
Pledges and grants receivable	347,281
Less: allowance for uncollectible pledges	(17,859)
Less: Unamortized discount	<u>(13,729)</u>
Net pledges receivable	<u>\$ 315,693</u>

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

4. Property and Equipment:

Property and equipment at December 31, 2013 consisted of the following:

Transportation equipment	\$ 33,497
Leasehold improvements	29,122
Furniture and equipment	<u>21,447</u>
	84,066
Less accumulated depreciation	<u>(71,452)</u>
	<u>\$ 12,614</u>

5. Operating Leases:

IHN has several operating leases primarily for office space and transitional housing apartments. The current lease for office expires August 31, 2014. Initial monthly rental expense is \$2,750. Since September 1, 2010, there has been an annual increase of three percent and there will be an annual increase for each year until the termination. Subsequent to December 31, 2013, the lease for office space was renewed for a five year period through August 31, 2019. (See Note 8.) The monthly rent expense will remain at \$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 lease for the next five years is as follows:

2015		\$	37,364
2016			38,860
2017			40,024
2018			41,224
2019			<u>13,876</u>
Total			<u>\$ 171,348</u>

Transitional housing apartment leases are a month to month tenancy and may be terminated on 60 days written notice by either lessor or lessee. Rental expenses for the transitional housing leases totaled \$35,215 for the year ended December 31, 2013. Rental expense for the leases in 2014 will be \$24,668.

6. Net Assets Released from Restrictions:

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

Purchase of furniture and equipment	<u>\$ 6,977</u>
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7. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Purchase of furniture and equipment	<u>\$ 10,466</u>
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Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

8. Subsequent Events:

Subsequent to December 31, 2013, IHN renewed its lease for office space. See Note 5.

In preparing these financial statements, IHN has evaluated events and transactions for potential recognition or disclosure through August 22, 2014, the date the financial statements were available to be issued.

Concluded