

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2014

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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, 2014, 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, 2014, 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 2013 financial statements, and our report dated August 22, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambert Arnold, Moulthrop & Co.

November 25, 2015

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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 26,851	\$ 37,674
Pledges receivable, net (Note 3)	224,158	315,693
Grants receivable	141,939	142,704
Rents and other receivable	-	7,878
Prepaid expenses	9,229	11,373
Fixed assets, net of accumulated depreciation of \$75,165 - 2014 and \$71,452 - 2013 (Note 4)	8,901	12,614
Security deposit	<u>2,500</u>	<u>9,850</u>
Total assets	<u>\$ 413,578</u>	<u>\$ 537,786</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,604	\$ 50,440
Line of credit (Note 5)	<u>11,667</u>	<u>-</u>
Total current liabilities	<u>21,271</u>	<u>50,440</u>
Net Assets:		
Unrestricted	166,642	161,187
Temporarily restricted (Note 8)	<u>225,665</u>	<u>326,159</u>
Total net assets	<u>392,307</u>	<u>487,346</u>
Total liabilities and net assets	<u>\$ 413,578</u>	<u>\$ 537,786</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, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>	
			<u>2014</u>	<u>2013</u>
Support and Revenue:				
Contributions:				
Individuals	\$ 121,114	\$ 85,376	\$ 206,490	\$ 205,758
Foundations	47,567	7,113	54,680	96,107
Religious organizations	36,155		36,155	22,595
Business and industry	15,500		15,500	12,549
Community groups	13,961		13,961	15,576
Government grants	395,021		395,021	360,144
Gifts in-kind	7,636		7,636	4,160
Program service revenue			-	15,087
Investment income	23		23	12
Net assets released from restriction (Note 7)	<u>192,983</u>	<u>(192,983)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>829,960</u>	<u>(100,494)</u>	<u>729,466</u>	<u>731,988</u>
Expenses:				
Program services	<u>614,445</u>		<u>614,445</u>	<u>585,604</u>
Supporting services:				
Management and general	106,406		106,406	63,140
Fundraising	<u>103,654</u>		<u>103,654</u>	<u>83,751</u>
Total supporting services	<u>210,060</u>	<u>-</u>	<u>210,060</u>	<u>146,891</u>
Total expenses	<u>824,505</u>	<u>-</u>	<u>824,505</u>	<u>732,495</u>
Change in Net Assets	5,455	(100,494)	(95,039)	(507)
Net Assets at Beginning of Year	<u>161,187</u>	<u>326,159</u>	<u>487,346</u>	<u>487,853</u>
Net Assets at End of Year	<u>\$ 166,642</u>	<u>\$ 225,665</u>	<u>\$ 392,307</u>	<u>\$ 487,346</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, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (95,039)	\$ (507)
Adjustments to reconcile change in net assets to cash used by operating activities:		
Depreciation expense	3,713	11,136
Bad debt expense - pledges	60,243	28,794
Bad debt expense - rents receivable	7,878	-
Discount on pledges receivable	4,621	-
(Increase) decrease in:		
Pledges receivable	26,671	(6,369)
Government grants receivable	765	(87,472)
Rents and other receivable	-	(3,614)
Prepaid expenses	2,144	934
Increase (decrease) in:		
Accounts payable and accrued expenses	(40,836)	41,822
Net cash used by operating activities	<u>(29,840)</u>	<u>(15,276)</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	-	(6,977)
Security deposits returned	7,350	-
Net cash provided (used) by investing activities	<u>7,350</u>	<u>(6,977)</u>
Cash Flows from Financing Activities:		
Net proceeds from the line of credit	11,667	-
Net cash provided by finance activities	<u>11,667</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(10,823)	(22,253)
Cash and Cash Equivalents at Beginning of Year	<u>37,674</u>	<u>59,927</u>
Cash and Cash Equivalents at End of Year	<u>\$ 26,851</u>	<u>\$ 37,674</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, 2014
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013**

	SUPPORTING SERVICES			TOTAL EXPENSES		
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	2014	2013
Salaries	\$ 165,131	\$ 16,937	\$ 29,639	\$ 46,576	\$ 211,707	\$ 192,039
Payroll taxes	16,335	1,676	2,930	4,606	20,941	20,602
Employee benefits	6,837	701	1,228	1,929	8,766	12,999
Total salary and related expense	188,303	19,314	33,797	53,111	241,414	225,640
Client services	295,755	-	-	-	295,755	287,947
Professional fees	48,536	16,275	20,861	37,136	85,672	61,566
Insurance	14,532	1,490	2,609	4,099	18,631	18,697
Office rent and utilities	28,857	2,960	5,179	8,139	36,996	36,332
Building repair and maintenance	406	-	-	-	406	1,461
Office supplies and expenses	12,853	4,368	5,207	9,575	22,428	14,066
Telecommunications	7,515	696	4,585	5,281	12,796	7,122
Printing and Postage	3,362	146	5,028	5,174	8,536	2,508
Fundraising costs	-	-	24,363	24,363	24,363	34,141
Dues and subscriptions	1,101	36	63	99	1,200	700
Bad debt expense	7,878	60,243	-	60,243	68,121	-
Staff development	3,491	358	625	983	4,474	2,385
Total expenses before depreciation	612,589	105,886	102,317	208,203	820,792	692,565
Depreciation	1,856	520	1,337	1,857	3,713	11,136
Total expenses	\$ 614,445	\$ 106,406	\$ 103,654	\$ 210,060	\$ 824,505	\$ 703,701

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 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) *Income Tax Status*

IHN is a not-for-profit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. IHN has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(vi).

The most significant tax positions of IHN are its assertions that it is tax exempt from income taxes and its determination of whether any amounts are subject unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined by management that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. IHN’s Forms 990 for 2012 through 2014 are open to examination by the Internal Revenue Service as of December 31, 2014.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. Summary of Significant Accounting Policies: (continued)

(b) *Income Tax Status* (continued)

IHN incurred no interest or penalties related to tax filings for the year ended December 31, 2014.

(c) *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

(d) *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.

(e) *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.

(f) *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.

(g) *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.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. **Summary of Significant Accounting Policies:** (continued)

(g) *Land, Buildings and Equipment* (continued)

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

(h) *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.

(i) *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.
- 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.

(j) *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.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. Summary of Significant Accounting Policies: (continued)

(k) *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, 2014, are expected to be received as follows:

In less than one year	\$ 100,856
In one to five years	<u>144,686</u>
Pledges and grants receivable	245,542
Less: allowance for uncollectible pledges	(12,277)
Less: Unamortized discount at 4%	<u>(9,107)</u>
Net pledges receivable	<u>\$ 224,158</u>

4. Property and Equipment:

Property and equipment at December 31, 2014 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>(75,165)</u>
	<u>\$ 8,901</u>

5. Line of Credit:

The Organization has \$50,000 revolving line of credit with Investor's Bank, of which \$38,333 was unused as of December 31, 2014. Bank advances on the line of credit are payable on demand and carry an interest of 1.25% over the Prime rate (as published in the Wall Street Journal). Under no circumstances will the interest rate be less than 4.50%. The line of credit is unsecured.

6. Operating Leases:

IHN has an operating lease for office space which was renewed September 1, 2014 and expires 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.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

6. Operating Leases: (continued)

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

2015	\$	38,860
2016		40,024
2017		41,224
2018		<u>13,876</u>
Total	\$	<u>133,984</u>

Rental expense under this operating lease for the year ended December 31, 2014 was \$36,996.

7. 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	\$	406
Expired time restrictions on pledges received		<u>192,577</u>
	\$	<u>192,983</u>

8. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Purchase of furniture and equipment	\$	17,173
Time restriction on pledges receivable		<u>208,492</u>
	\$	<u>225,665</u>

9. Concentration of Credit-Risk:

The Organization closely monitors its pledges with regard to collectability while maintaining allowances for potential losses. On a periodic basis, the organization evaluates its pledges receivable and establishes an allowance for doubtful accounts based on specific reviews of certain outstanding amounts and historical collection performance.

Concentration of credit risk with respect to pledges receivable pertain to pledges at December 31, 2014, that account for approximately 23% of the pledges receivable on that date.

10. Cash Flow Information:

No liabilities for interest or income taxes were incurred or paid during the year ended December 31, 2014.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

11. Subsequent Events:

In preparing these financial statements, IHN has evaluated events and transactions for potential recognition or disclosure through November 25, 2015, the date the financial statements were available to be issued.

Concluded