

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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

DECEMBER 31, 2015 AND 2014

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## **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, 2015, 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 Interfaith Hospitality Network for the Homeless of Essex County, Inc. as of December 31, 2015, 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.

***Prior Period Financial Statements and Summarized Information***

The financial statements of IHN were audited by other auditors whose report, dated June 21, 2016, expressed an unmodified opinion on those statements. The summarized financial information presented herein as of and for the year ended December 31, 2014, should be read in conjunction with IHN's December 31, 2014, audited financial statements from which it has been derived.

  
( Certified Public Accountants

Livingston, New Jersey  
September 9, 2016



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

	December 31,	
	2015	2014
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 94,801	\$ 26,851
Pledges receivable, short-term	142,321	100,856
Grants receivable	88,322	116,130
Prepaid expenses	12,898	9,229
Total Current Assets	<u>338,342</u>	<u>253,066</u>
PROPERTY AND EQUIPMENT, NET	42,719	8,901
PLEDGES RECEIVABLE, LONG-TERM, NET	182,789	123,302
SECURITY DEPOSITS	<u>2,500</u>	<u>2,500</u>
	<u>\$ 566,350</u>	<u>\$ 387,769</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 15,401	\$ 9,604
Line of credit	-	11,667
Total Current Liabilities	<u>15,401</u>	<u>21,271</u>
NET ASSETS:		
Unrestricted	241,023	140,833
Temporarily restricted	309,926	225,665
Total Net Assets	<u>550,949</u>	<u>366,498</u>
	<u>\$ 566,350</u>	<u>\$ 387,769</u>

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2015  
(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	TEMPORARILY		TOTAL	
	UNRESTRICTED	RESTRICTED	2015	2014
<b>SUPPORT AND REVENUE</b>				
Contributions:				
Individuals	\$ 146,874	\$ 247,319	\$ 394,193	\$ 206,490
Foundations	75,718	14,588	90,306	54,680
Religious organizations	41,299	-	41,299	36,155
Business organizations	16,849	-	16,849	15,500
Community groups	14,360	-	14,360	13,961
Government grants	310,552	30,000	340,552	369,212
Gifts in kind	7,394	-	7,394	7,636
Other income	4,507	-	4,507	23
Total Support and Revenue	617,553	291,907	909,460	703,657
	207,646	(207,646)	-	-
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
<b>EXPENSES</b>				
Program services	578,108	-	578,108	614,445
Supporting services:				
Management and general	54,011	-	54,011	106,406
Fundraising	92,890	-	92,890	103,654
Total Supporting Services	146,901	-	146,901	210,060
Total Expenses	725,009	-	725,009	824,505
<b>CHANGES IN NET ASSETS</b>				
NET ASSETS - Beginning of year	100,190	84,261	184,451	(120,848)
NET ASSETS - End of year	140,833	225,665	366,498	487,346
	\$ 241,023	\$ 309,926	\$ 550,949	\$ 366,498

*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, 2015**

**(With Summarized Comparative Totals for the Year Ended December 31, 2014)**

	<u>Supporting Services</u>			
	<u>Program Expenses</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES:</b>				
Salaries	\$ 219,932	\$ 35,739	\$ 19,244	\$ 54,983
Payroll taxes	19,829	3,222	1,735	4,957
Employee benefits	15,855	2,576	1,387	3,963
	255,616	41,537	22,366	63,903
				319,519
				\$ 274,915
				24,786
				19,818
				8,766
				241,414
<b>OTHER EXPENSES:</b>				
Client services	213,217	-	22	22
Professional fees	22,326	3,628	1,953	5,581
Insurance	16,839	2,737	1,473	4,210
Office rent and utilities	29,965	4,869	2,622	7,491
Building repair and maintenance	785	128	69	197
Office supplies and expenses	16,917	2,706	1,456	4,162
Telecommunications	8,702	5,284	744	6,028
Printing and postage	911	911	911	1,822
Fundraising costs	-	29,070	-	29,070
Dues and subscriptions	1,456	172	98	270
Bad debt expense	-	-	21,301	21,301
Staff development	5,538	900	485	1,385
	572,272	91,942	53,500	145,442
Total Expense before Depreciation				717,714
Depreciation	5,836	948	511	1,459
Total Expenses	\$ 578,108	\$ 92,890	\$ 54,011	\$ 146,901
				\$ 725,009
				\$ 824,505

*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,	
	2015	2014
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 184,451	\$ (120,848)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	7,295	3,713
Bad debt expense	21,301	68,121
Discount on pledges receivable	24	4,621
Changes in certain assets and liabilities:		
Pledges receivable	(122,277)	26,671
Grants receivable	27,808	26,574
Prepaid expenses	(3,669)	2,144
Accounts payable and accrued expenses	5,797	(40,836)
Net Cash Provided by (Used for) Operating Activities	<u>120,730</u>	<u>(29,840)</u>
<u>INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	(41,113)	-
Security deposits returned	-	7,350
Net Cash (Used for) Provided by Investing Activities	<u>(41,113)</u>	<u>7,350</u>
<u>FINANCING ACTIVITIES:</u>		
Borrowings on line of credit	93,005	22,000
Repayment of line of credit	(104,672)	(10,333)
Net Cash (Used for) Provided by Financing Activities	<u>(11,667)</u>	<u>11,667</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	67,950	(10,823)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>26,851</u>	<u>37,674</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 94,801</u>	<u>\$ 26,851</u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</u>		
Interest paid	\$ 623	\$ 176

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



**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

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**NOTE 1 - ORGANIZATION:**

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Established in 1987, Interfaith Hospitality Network for the Homeless of Essex County, Inc. ("IHN") is a non-denominational 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:**

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***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 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 IHN and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations and currently available for use by IHN's Board of Trustees.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of IHN and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement 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  
YEAR ENDED DECEMBER 31, 2015**

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

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***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, 2015 and 2014.

***Contributions:***

Contributions received are recorded as unrestricted or temporarily restricted support 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 unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

***Functional Expenses:***

Program services, management and general, and fundraising expenses have been recorded in the statement of activities and changes in net assets and on the statement of functional expenses based on either a direct-costing method for those expenses directly attributable to a particular program or special event or on an allocation basis based on the salary percentage of each program to total salaries for joint costs attributable to all functions. IHN's management allocated general and administrative expenses based on management's best estimates.



**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

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

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***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 2015. Tax years subject to audit by federal and state jurisdictions are the years ended December 31, 2012 and forward. At December 31, 2015, there were no significant income tax uncertainties.

***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 which typically would be purchased if not provided by donation. No amounts were recognized in the financial statements for donated services for the years ended December 31, 2015 and 2014. IHN also receives donated materials and meals of \$7,394 and \$7,636, 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.

***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, 2014, from which the summarized information was derived.

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

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

***Reclassifications:***

Certain amounts have been reclassified in the 2014 financial statements to conform to the 2015 presentation, including the break-out of pledges receivable into short-term and long-term components. This had no effect on the changes in net assets.

***Subsequent Events:***

IHN has evaluated its subsequent events and transactions occurring after December 31, 2015 through September 9, 2016, 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 as of December 31, 2015 and 2014, are expected to be received as follows:

	<u>2015</u>	<u>2014</u>
In less than one year	\$142,321	\$100,856
In one to five years	209,720	144,686
Pledges receivable	352,041	245,542
Less: Allowance for uncollectible pledges	(17,800)	(12,277)
Less: Unamortized discount	(9,131)	(9,107)
Net Pledges Receivable	<u>\$325,110</u>	<u>\$224,158</u>

Pledges receivable with due dates extending beyond one year are discounted using the U.S. Treasury bill 3-year rate for similar investments. The applicable rate at December 31, 2015, was 1.76%.



**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**NOTE 4 - PROPERTY AND EQUIPMENT:**

Property and equipment at December 31, 2015, consisted of the following:

	<u>2015</u>	<u>2014</u>
Transportation equipment	\$ 36,654	\$ 33,497
Leasehold improvements	29,122	29,122
Furniture and equipment	25,905	21,447
	<u>91,681</u>	<u>84,066</u>
Less: Accumulated depreciation	(48,962)	(75,165)
	<u>\$ 42,719</u>	<u>\$ 8,901</u>

**NOTE 5 - LINE OF CREDIT:**

IHN has a \$50,000 revolving line of credit with Investor's Bank which expires on December 19, 2016, of which portions were drawn upon during 2015 and 2014. The line of credit was paid back in full as of December 31, 2015. 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.

**NOTE 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.

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

<u>Year</u>	<u>Amount</u>
2016	\$ 38,484
2017	39,632
2018	40,820
2019	27,752
Total	<u>\$ 146,688</u>

Rental expense under this operating lease for the years ended December 31, 2015 and 2014, was \$37,456 and \$36,996, respectively.

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2015**

**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:

	<u>2015</u>	<u>2014</u>
Purchase of furniture and equipment	\$ 18,410	\$ 406
Purchase of vehicle	33,500	-
Camps	1,628	-
Expired time restrictions on pledges received	154,108	192,577
	<u>\$ 207,646</u>	<u>\$ 192,983</u>

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Purchase of furniture and equipment	\$ 9,851	\$ 17,173
Time restriction on pledges receivable	300,075	208,492
	<u>\$ 309,926</u>	<u>\$ 225,665</u>