

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

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

DECEMBER 31, 2016 AND 2015

CONTENTS

	<b><u>Page</u></b>
Independent Auditors' Report .....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-13



## **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, 2016, 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. 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited IHN's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 9, 2016. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey  
July 19, 2017

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

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 82,872	\$ 94,652
Restricted cash	153	149
Pledges receivable, short-term	152,469	142,321
Contributions receivable	44,457	-
Grants receivable	66,587	88,322
Prepaid expenses	5,644	12,898
Total Current Assets	<u>352,182</u>	<u>338,342</u>
PROPERTY AND EQUIPMENT, NET	35,238	42,719
PLEDGES RECEIVABLE, LONG-TERM, NET	223,102	182,789
SECURITY DEPOSITS	<u>2,500</u>	<u>2,500</u>
	<u>\$ 613,022</u>	<u>\$ 566,350</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 4,631	\$ 15,401
Deferred revenue	19,234	-
Total Current Liabilities	<u>23,865</u>	<u>15,401</u>
NET ASSETS:		
Unrestricted	234,453	241,023
Temporarily restricted	354,704	309,926
Total Net Assets	<u>589,157</u>	<u>550,949</u>
	<u>\$ 613,022</u>	<u>\$ 566,350</u>

**INTERFAITH HOSPITALITY NETWORK**  
**FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(With Summarized Comparative Totals for the Year Ended December 31, 2015)**

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>TOTAL 2016</b>	<b>TOTAL 2015</b>
<b>SUPPORT AND REVENUE</b>				
Contributions:				
Individuals	\$ 142,225	\$ 227,877	\$ 370,102	\$ 394,193
Foundations	127,127	-	127,127	90,306
Religious organizations	28,442	-	28,442	41,299
Business organizations	17,762	-	17,762	16,849
Community groups	10,330	-	10,330	14,360
Government grants	241,277	-	241,277	340,552
Gifts in-kind	14,058	-	14,058	7,394
Other income	24	-	24	4,507
Total Support and Revenue	<u>581,245</u>	<u>227,877</u>	<u>809,122</u>	<u>909,460</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>183,099</u>	<u>(183,099)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program services	590,616	-	590,616	578,108
Supporting services:				
Management and general	79,966	-	79,966	54,011
Fundraising	100,332	-	100,332	92,890
Total Supporting Services	<u>180,298</u>	<u>-</u>	<u>180,298</u>	<u>146,901</u>
Total Expenses	<u>770,914</u>	<u>-</u>	<u>770,914</u>	<u>725,009</u>
<b>CHANGES IN NET ASSETS</b>	<u>(6,570)</u>	<u>44,778</u>	<u>38,208</u>	<u>184,451</u>
<b>NET ASSETS - Beginning of year</b>	<u>241,023</u>	<u>309,926</u>	<u>550,949</u>	<u>366,498</u>
<b>NET ASSETS - End of year</b>	<u>\$ 234,453</u>	<u>\$ 354,704</u>	<u>\$ 589,157</u>	<u>\$ 550,949</u>

*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, 2016**

**(With Summarized Comparative Totals for the Year Ended December 31, 2015)**

	<u>Supporting Services</u>			2016 Total	2015 Total
	Program Expenses	Fundraising	Management and General		
<b>SALARIES AND RELATED EXPENSES:</b>					
Salaries	\$ 226,329	\$ 43,715	\$ 25,493	\$ 69,208	\$ 274,915
Payroll taxes	18,825	4,016	2,259	6,275	24,786
Employee benefits	14,917	3,182	1,791	4,973	19,818
	<u>260,071</u>	<u>50,913</u>	<u>29,543</u>	<u>80,456</u>	<u>319,519</u>
<b>OTHER EXPENSES:</b>					
Client services	210,732	-	-	-	213,239
Professional fees	29,410	7,483	4,688	12,171	27,907
Insurance	17,370	2,915	1,638	4,553	21,049
Office rent and utilities	34,652	1,868	1,868	3,736	37,456
Building repair and maintenance	-	-	-	-	982
Office supplies and expenses	12,832	2,697	1,515	4,212	21,079
Telecommunications	9,083	1,938	1,090	3,028	14,730
Printing and postage	1,498	1,027	180	1,207	2,733
Fundraising costs	-	28,442	-	28,442	29,070
Dues and subscriptions	1,388	296	166	462	1,726
Bad debt expense	-	-	37,661	37,661	21,301
Staff development	4,580	977	550	1,527	6,923
	<u>581,616</u>	<u>98,556</u>	<u>78,899</u>	<u>177,455</u>	<u>717,714</u>
Total Expense before Depreciation					
Depreciation	9,000	1,776	1,067	2,843	7,295
	<u>590,616</u>	<u>100,332</u>	<u>79,966</u>	<u>180,298</u>	<u>725,009</u>
Total Expenses					

*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**

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 38,208	\$ 184,451
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities:		
Depreciation expense	11,843	7,295
Bad debt expense	37,661	21,301
Discount on pledges receivable	1,269	24
Changes in certain assets and liabilities:		
Pledges receivable	(89,391)	(122,277)
Contributions receivable	(44,457)	-
Grants receivable	21,735	27,808
Prepaid expenses	7,254	(3,669)
Accounts payable and accrued expenses	(10,770)	5,797
Deferred revenue	19,234	-
Net Cash Used for Operating Activities	<u>(7,414)</u>	<u>120,730</u>
<u>INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	(4,362)	(41,113)
Net Cash Used for Investing Activities	<u>(4,362)</u>	<u>(41,113)</u>
<u>FINANCING ACTIVITIES:</u>		
Borrowings on line of credit	10,000	93,005
Repayment of line of credit	(10,000)	(104,672)
Net Cash Used for Financing Activities	<u>-</u>	<u>(11,667)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,776)</b>	<b>67,950</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<b>94,801</b>	<b>26,851</b>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b><u>\$ 83,025</u></b>	<b><u>\$ 94,801</u></b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Interest paid	<u>\$ 77</u>	<u>\$ 623</u>



**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 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.

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**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  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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

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***Financial Statement Presentation: (Continued)***

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by IHN. Generally, the donors of these assets permit IHN to use all or part of the income earned on any related investments for general or specific purposes. IHN has no permanently restricted net assets as of December 31, 2016.

***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, 2016 and 2015, the allowance for uncollectible pledges receivable was \$19,800 and \$17,800, respectively.

***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 is carried at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

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

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 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, 2016 and 2015.

***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.

***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

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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

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***Income Taxes: (Continued)***

unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2016 or 2015. At December 31, 2016 and 2015, there were no significant income tax uncertainties and penalties, disclosure and transition. IHN's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense.

***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. No amounts were recognized in the financial statements for donated services for the years ended December 31, 2016 and 2015. IHN also receives donated materials and meals of \$14,058 and \$7,394, respectively, that 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, 2015, from which the summarized information was derived.

***Subsequent Events:***

IHN has evaluated its subsequent events and transactions occurring after December 31, 2016 through July 19, 2017, the date that the financial statements were available to be issued.

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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**NOTE 3 - PLEDGES RECEIVABLE:**

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

Pledges are expected to be received as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
In less than one year	\$152,469	\$142,321
In one to five years	253,302	209,720
Pledges receivable	405,771	352,041
Less: Allowance for uncollectible pledges	(19,800)	(17,800)
Less: Unamortized discount	(10,400)	(9,131)
Net Pledges Receivable	<u>\$375,571</u>	<u>\$325,110</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 rates at December 31, 2016 and 2015, were 1.47% and 1.76%, respectively.

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**NOTE 4 - PROPERTY AND EQUIPMENT:**

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Property and equipment consisted of the following:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Transportation equipment	\$ 36,654	\$ 36,654
Leasehold improvements	29,122	29,122
Furniture and equipment	30,267	25,905
	96,043	91,681
Less: Accumulated depreciation	(60,805)	(48,962)
	<u>\$ 35,238</u>	<u>\$ 42,719</u>

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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**NOTE 5 - LINE OF CREDIT:**

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IHN has a revolving line of credit with a financial institution that will expire on April 1, 2020. Portions of this line of credit were drawn down during 2016 and 2015, but the outstanding balance was paid in full as of December 31, 2016 and 2015. 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, 2016. The line of credit is unsecured.

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**NOTE 6 - OPERATING LEASES:**

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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>
2017	\$ 39,632
2018	40,820
2019	27,752
Total	<u>\$ 108,204</u>

Rental expense under this operating lease for the years ended December 31, 2016 and 2015, was \$38,388 and \$37,456, respectively.

**INTERFAITH HOSPITALITY NETWORK  
FOR THE HOMELESS OF ESSEX COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

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**NOTE 7 - NET ASSETS RELEASED FROM RESTRICTION:**

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

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Purchase of furniture and equipment	\$ 8,140	\$ 18,410
Purchase of vehicle	-	33,500
Camps	2,189	1,628
Purchase of holiday gifts for clients	800	-
Expired time restrictions on pledges received	171,970	154,108
	<u>\$ 183,099</u>	<u>\$ 207,646</u>

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

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Temporarily restricted net assets are available for the following purposes:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Purchase of furniture and equipment	\$ 1,712	\$ 9,852
Time restriction on pledges receivable	352,992	300,074
	<u>\$ 354,704</u>	<u>\$ 309,926</u>

**NOTE 9 - CONCENTRATIONS OF RISK:**

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***Support and Revenue:***

The Organization received a substantial portion of its revenues from federal and state programs. The Organization received approximately 30% and 37% for the years ended December 31, 2016 and 2015, respectively, from government grants. A material reduction of such support could have a significant impact on the Organization's operations. Management, however, does not expect that its support will be materially reduced. The Organization 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.