

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

DECEMBER 31, 2017 AND 2016

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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, 2017, 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, 2017, 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.

Other Matters

Other Information

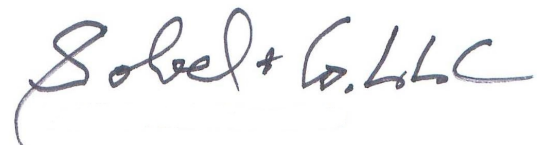
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards shown on page 15, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost 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 July 26, 2018, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey
July 26, 2018

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

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 27,669	\$ 82,872
Restricted cash	155	153
Pledges receivable, short-term	162,614	152,469
Contributions receivable	71,418	44,457
Grants receivable	118,500	66,587
Accounts receivable	6,000	-
Prepaid expenses	1,742	5,644
Total Current Assets	388,098	352,182
PROPERTY AND EQUIPMENT, NET	29,317	35,238
PLEDGES RECEIVABLE, LONG-TERM, NET	227,303	223,102
SECURITY DEPOSITS	2,500	2,500
	<u>\$ 647,218</u>	<u>\$ 613,022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 7,808	\$ 4,631
Deferred revenue	-	19,234
Total Current Liabilities	7,808	23,865
NET ASSETS:		
Unrestricted	301,903	234,453
Temporarily restricted	337,507	354,704
Total Net Assets	639,410	589,157
	<u>\$ 647,218</u>	<u>\$ 613,022</u>

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

(With Summarized Comparative Totals for the Year Ended December 31, 2016)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2017	TOTAL 2016
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 117,467	\$ 226,465	\$ 343,932	\$ 370,102
Foundations	157,547	6,700	164,247	127,127
Religious organizations	9,492	6,370	15,862	28,442
Business organizations	29,070	-	29,070	17,786
Community groups	8,060	-	8,060	10,330
Government grants	334,688	5,000	339,688	241,277
Gifts in-kind	17,484	640	18,124	14,058
Program service revenue	18,250	-	18,250	-
Special events, net of expenses of \$22,313 in 2017	27,681	-	27,681	-
Total Support and Revenue	719,739	245,175	964,914	809,122
NET ASSETS RELEASED FROM RESTRICTIONS	262,372	(262,372)	-	-
EXPENSES				
Program services	706,042	-	706,042	590,616
Supporting services:				
Management and general	103,970	-	103,970	79,966
Fundraising	104,649	-	104,649	100,332
Total Supporting Services	208,619	-	208,619	180,298
Total Expenses	914,661	-	914,661	770,914
CHANGES IN NET ASSETS	67,450	(17,197)	50,253	38,208
NET ASSETS - Beginning of year	234,453	354,704	589,157	550,949
NET ASSETS - End of year	\$ 301,903	\$ 337,507	\$ 639,410	\$ 589,157

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, 2017

(With Summarized Comparative Totals for the Year Ended December 31, 2016)

	Supporting Services				2017 Total	2016 Total
	Program Expenses	Fundraising	Management and General	Total		
SALARIES AND RELATED EXPENSES:						
Salaries	\$ 233,406	\$ 43,601	\$ 23,701	\$ 67,302	\$ 300,708	\$ 295,537
Payroll taxes	18,312	3,907	2,197	6,104	24,416	25,100
Employee benefits	22,076	4,710	2,649	7,359	29,435	19,890
	273,794	52,218	28,547	80,765	354,559	340,527
OTHER EXPENSES:						
Client services	300,801	-	-	-	300,801	210,732
Professional fees	29,856	6,868	26,812	33,680	63,536	41,581
Insurance	9,998	1,629	916	2,545	12,543	21,923
Office rent and utilities	37,304	2,427	1,585	4,012	41,316	38,388
Building repair and maintenance	356	76	43	119	475	-
Office supplies and expenses	20,588	4,392	2,472	6,864	27,452	17,044
Telecommunications	11,003	2,347	1,320	3,667	14,670	12,111
Printing and postage	1,425	304	171	475	1,900	2,705
Fundraising costs	6,657	31,479	-	31,479	38,136	28,442
Dues and subscriptions	1,515	323	182	505	2,020	1,850
Bad debt expense	-	-	40,406	40,406	40,406	37,661
Staff development	4,387	936	526	1,462	5,849	6,107
Total Expense before Depreciation	697,684	102,999	102,980	205,979	903,663	759,071
Depreciation	8,358	1,650	990	2,640	10,998	11,843
Total Expenses	\$ 706,042	\$ 104,649	\$ 103,970	\$ 208,619	\$ 914,661	\$ 770,914

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,	
	2017	2016
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 50,253	\$ 38,208
Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities:		
Depreciation expense	10,998	11,843
Bad debt expense	40,406	37,661
Discount on pledges receivable	9,337	1,269
Changes in certain assets and liabilities:		
Pledges receivable	(64,089)	(89,391)
Contributions receivable	(26,961)	(44,457)
Grants receivable	(51,913)	21,735
Accounts receivable	(6,000)	-
Prepaid expenses	3,900	7,254
Accounts payable and accrued expenses	3,179	(10,770)
Deferred revenue	(19,234)	19,234
Net Cash Used for Operating Activities	(50,124)	(7,414)
<u>INVESTING ACTIVITIES:</u>		
Acquisition of property and equipment	(5,077)	(4,362)
Net Cash Used for Investing Activities	(5,077)	(4,362)
<u>FINANCING ACTIVITIES:</u>		
Borrowings on line of credit	47,054	10,000
Repayment of line of credit	(47,054)	(10,000)
Net Cash Used for Financing Activities	-	-
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (55,201)	 (11,776)
 CASH AND CASH EQUIVALENTS, Beginning of year	 83,025	 94,801
 CASH AND CASH EQUIVALENTS, End of year	 \$ 27,824	 \$ 83,025
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	\$ 358	\$ 77

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 - ORGANIZATION:

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:

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 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, 2017 AND 2016

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

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, 2017 or 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, 2017 and 2016, the allowance for uncollectible pledges receivable was \$24,800 and \$19,800, respectively.

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 is carried at cost. Depreciation is provided on a straight-line basis over the estimated

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Property and Equipment: (Continued)

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, 2017 and 2016. Deferred revenue represents funds received which have not been expended at year-end. As of December 31, 2017 and 2016, deferred revenue was \$0 and \$19,234, respectively.

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 statements of activities and changes in net assets as net assets released from restrictions.

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.

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Functional Expenses:

Program services, management and general, and fundraising expenses have been recorded in the statements of activities and changes in net assets and on the statements 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 unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2017 or 2016. At December 31, 2017 and 2016, 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, 2017 and 2016. IHN also receives donated materials and meals of \$18,124 and \$14,058, 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

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Use of Estimates: (Continued)

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.

Financial Reporting for Not-for-Profit Entities:

The Financial Accounting Standards Board issued an accounting pronouncement *Presentation of Financial Statements of Not-for-Profit Entities* that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources.

It also requires IHN to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. Additional enhanced disclosures will also be required to provide information on how IHN allocates costs. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending December 31, 2018. IHN is currently evaluating the effect that the new standard will have on its financial statements.

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, 2016, from which the summarized information was derived.

Reclassifications:

Certain amounts have been reclassified in the 2016 financial statements to conform to the 2017 presentation. This has no effect on the change in net assets.

Subsequent Events:

IHN has evaluated its subsequent events and transactions occurring after December 31, 2017 through July 26, 2018, 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, 2017 AND 2016

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,	
	2017	2016
In less than one year	\$162,614	\$152,469
In one to five years	271,840	253,302
Pledges receivable	434,454	405,771
Less: Allowance for uncollectible pledges	(24,800)	(19,800)
Less: Unamortized discount	(19,737)	(10,400)
Net Pledges Receivable	<u>\$389,917</u>	<u>\$375,571</u>

Pledges receivable with due dates extending beyond one year are discounted using rates at December 31, 2017 and 2016 of 4.00% and 1.47%, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	December 31,	
	2017	2016
Transportation equipment	\$ 36,654	\$ 36,654
Leasehold improvements	29,122	29,122
Furniture and equipment	35,344	30,267
	101,120	96,043
Less: Accumulated depreciation	(71,803)	(60,805)
	<u>\$ 29,317</u>	<u>\$ 35,238</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 were drawn down during 2017 and 2016, but the outstanding balance was paid in full as of December 31, 2017 and 2016. Bank advances on the line of

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 5 - LINE OF CREDIT: (Continued)

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, 2017. 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:

Year	Amount
2018	\$ 40,820
2019	27,752
Total	<u>\$ 68,572</u>

Rental expense under this operating lease for the years ended December 31, 2017 and 2016, was \$41,316 and \$38,388, respectively.

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,	
	2017	2016
Purchase of furniture and equipment	\$ 6,700	\$ 8,140
Purchase of videos	6,370	-
Camps	6,200	2,189
Purchase of holiday gifts for clients	640	800
Expired time restrictions on pledges received	242,462	171,970
	<u>\$ 262,372</u>	<u>\$ 183,099</u>

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Purchase of furniture and equipment	\$ 1,712	\$ 1,712
Time restriction on pledges receivable	335,795	352,992
	<u>\$ 337,507</u>	<u>\$ 354,704</u>

NOTE 9 - CONCENTRATIONS OF RISK:

Support and Revenue:

IHN received a substantial portion of its revenues from federal and state programs. IHN received approximately 35% and 30% for the years ended December 31, 2017 and 2016, 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.

NOTE 10 - CONTINGENCIES:

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 the 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, 2017

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-15-UC-34-0014	\$ 43,000	\$ 12,224
Emergency Shelter Grant Rapid Re-Housing	14.231	E-16-UC-34-0014	50,000	50,000
Emergency Shelter Grant Rapid Re-Housing	14.231	E-16-UC-34-0014	50,000	26,853
Emergency Shelter Grant Rapid Re-Housing	14.231	E-17-UC-34-0014	64,750	15,575
Emergency Shelter Grant Shelter Operations	14.231	E-15-UC-34-0014	21,000	21,000
Community Development Block Grant	14.218	B-16-UC-34-0101	20,000	7,273
Community Development Block Grant	14.218	B-17-UC-34-0101	19,600	11,433
Total Passed Through Essex County Housing and Community Development			268,350	144,358
Federal Emergency Management Agency				
Passed Through Essex County Local Board				
Emergency Food and Shelter Program	97.024	N/A	59,350	19,235
Emergency Food and Shelter Program	97.024	N/A	51,650	51,650
TOTAL FEDERAL AWARDS			379,350	215,243
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	SSH17007	160,553	124,445
TOTAL STATE AWARDS			160,553	124,445
TOTAL FEDERAL AND STATE AWARDS			\$ 539,903	\$ 339,688

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017, 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 July 26, 2018.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (Item 2017-001).

Compliance and Other Matters

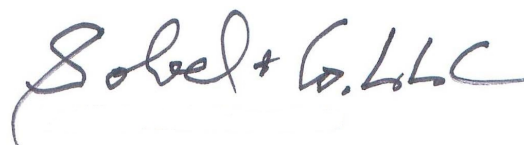
As part of obtaining reasonable assurance about whether IHN's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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*.

IHN's Response to Finding

IHN's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. IHN's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 financial reporting and compliance and other matters. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Livingston, New Jersey
July 26, 2018

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the financial statements of Interfaith Hospitality Network for the Homeless of Essex County, Inc. was an unmodified opinion.

Internal control over financial reporting:

- | | | |
|---|-------------------|------------------|
| • Material weaknesses identified? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> X </u> No |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED DECEMBER 31, 2017

II. Finding – Financial Statement Audit:

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.

Criteria: The Organization is responsible for ensuring that pledges receivable are recorded at net realizable value and that revenue is fairly stated.

Cause: Pledge receivable forms were not clearly worded, which caused confusion with donors.

Effect: Revenue recorded by IHN was decreased by approximately \$47,000, due to the errors noted above.

Recommendation: We recommend that IHN review the pledge form used at the annual breakfast to ensure that wording is easy for donors to understand, and we encourage management to follow up with significant donors immediately following the breakfast to verify terms and donor intent for the commitments.

Auditee Response and Action Plan: Management will revise the pledge form and develop a process to ensure that follow-up with donors is handled differently for significant contributions to ensure that pledges receivable and related contribution revenue are fairly stated.

III. Findings and Questioned Costs - None

IV. Follow-up of Prior Year Find - N/A