

FAMILY PROMISE OF ESSEX COUNTY, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

FAMILY PROMISE OF ESSEX COUNTY, INC.

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Family Promise of Essex County, Inc.
Montclair, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Family Promise of Essex County, Inc. ("Organization"), a New Jersey nonprofit organization, which comprise the statement of financial position as of December 31, 2020, 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 the Organization'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 Organization'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 Family Promise of Essex County, Inc. as of December 31, 2020, 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 17, 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 June 18, 2021, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Report on Summarized, Comparative Information

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2020. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey
June 18, 2021



FAMILY PROMISE OF ESSEX COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 411,576	\$ 117,950
Restricted cash	164,315	158
Pledges receivable, short-term, net	40,160	116,151
Contributions receivable	15,000	20,000
Grants receivable	83,165	86,872
Accounts receivable	-	9,000
Prepaid expenses	15,373	16,280
Total Current Assets	<u>729,589</u>	<u>366,411</u>
PROPERTY AND EQUIPMENT, NET	1,960	7,960
PLEDGES RECEIVABLE, LONG-TERM, NET	26,943	42,533
SECURITY DEPOSITS	<u>2,500</u>	<u>2,500</u>
	<u>\$ 760,992</u>	<u>\$ 419,404</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 17,745	\$ 49,882
Deferred revenue	40,523	12,375
Notes payable, current portion	2,029	-
Refundable advance	75,245	-
Total Current Liabilities	<u>135,542</u>	<u>62,257</u>
LONG-TERM DEBT:		
Notes payable, net of current portion	<u>147,871</u>	-
NET ASSETS:		
Without Donor Restrictions	437,684	290,114
With Donor Restrictions	39,895	67,033
Total Net Assets	<u>477,579</u>	<u>357,147</u>
	<u>\$ 760,992</u>	<u>\$ 419,404</u>

FAMILY PROMISE OF ESSEX COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(With Summarized, Comparative Totals for the Year Ended December 31, 2019)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2020	TOTAL 2019
SUPPORT AND REVENUE				
Contributions:				
Individuals	\$ 299,565	\$ 28,577	\$ 328,142	\$ 142,916
Foundations	167,706	-	167,706	100,232
Religious organizations	42,827	-	42,827	16,941
Business organizations	61,860	-	61,860	12,937
Community groups	540	-	540	3,202
Government grants	276,415	-	276,415	306,232
Donated services and materials	14,624	-	14,624	32,308
Program service and other revenue	10,498	-	10,498	15,006
Special Events:				
Special events contributions	-	-	-	74,408
Special events revenue	-	-	-	88,917
Less: Costs of direct benefits to donors	-	-	-	(43,571)
Special events, net	-	-	-	119,754
Total Support and Revenue	874,035	28,577	902,612	749,528
NET ASSETS RELEASED FROM RESTRICTIONS	55,715	(55,715)	-	-
EXPENSES				
Program services	625,793	-	625,793	741,550
Management and general	60,546	-	60,546	81,746
Fundraising	95,841	-	95,841	95,178
Total Expenses	782,180	-	782,180	918,474
CHANGES IN NET ASSETS	147,570	(27,138)	120,432	(168,946)
NET ASSETS - Beginning of year	290,114	67,033	357,147	526,093
NET ASSETS - End of year	\$ 437,684	\$ 39,895	\$ 477,579	\$ 357,147

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

FAMILY PROMISE OF ESSEX COUNTY, INC.**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2020

(With Summarized, Comparative Totals for the Year Ended December 31, 2019)

	Program Expenses	Supporting Services		2020 Total	2019 Total
		Management and General	Fundraising		
SALARIES AND RELATED EXPENSES:					
Salaries	\$ 216,122	\$ 27,385	\$ 45,543	\$ 289,050	\$ 329,368
Payroll taxes	17,632	2,233	3,716	23,581	26,855
Employee benefits	12,560	1,591	2,647	16,798	25,396
	<u>246,314</u>	<u>31,209</u>	<u>51,906</u>	<u>329,429</u>	<u>381,619</u>
OTHER EXPENSES:					
Client services	256,092	-	-	256,092	318,092
Professional fees	36,942	4,680	9,919	51,541	41,618
Insurance	14,346	1,440	2,918	18,704	15,713
Office rent and utilities	31,682	4,329	7,271	43,282	44,492
Office supplies and expenses	14,558	1,375	3,046	18,979	26,000
Telecommunications	18,061	626	3,673	22,360	23,525
Fundraising costs	-	-	15,405	15,405	7,775
Dues and subscriptions	1,638	164	333	2,135	1,600
Bad debt expense	-	15,935	-	15,935	37,618
Travel and transportation	399	50	84	533	2,521
Staff development	1,369	138	278	1,785	7,791
	<u>621,401</u>	<u>59,946</u>	<u>94,833</u>	<u>776,180</u>	<u>908,364</u>
Total Expenses before Depreciation					
Depreciation	4,392	600	1,008	6,000	10,110
	<u>625,793</u>	<u>60,546</u>	<u>95,841</u>	<u>782,180</u>	<u>918,474</u>
Total Expenses					

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

FAMILY PROMISE OF ESSEX COUNTY, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
CASH FLOWS PROVIDED BY (USED FOR) :		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 120,432	\$ (168,946)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation expense	6,000	10,110
Bad debt expense	15,935	37,618
Discount on pledges receivable	600	(9,652)
Changes in certain assets and liabilities:		
Pledges receivable	75,046	108,745
Contributions receivable	5,000	-
Grants receivable	3,707	(19,648)
Accounts receivable	9,000	(1,500)
Prepaid expenses	907	(1,763)
Accounts payable and accrued expenses	(32,137)	41,711
Deferred revenue	28,148	(10,755)
Refundable advance	75,245	-
Net Cash Provided by (Used for) Operating Activities	<u>307,883</u>	<u>(14,080)</u>
<u>FINANCING ACTIVITIES:</u>		
Borrowings on line of credit	50,000	51,330
Repayment of line of credit	(50,000)	(51,330)
Proceeds from notes payable	149,900	-
Net Cash Provided by Financing Activities	<u>149,900</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	457,783	(14,080)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, Beginning of year	118,108	132,188
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, End of year	<u>\$ 575,891</u>	<u>\$ 118,108</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Interest paid	<u>\$ 1,344</u>	<u>\$ 545</u>

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - ORGANIZATION:

Established in 1987, Family Promise of Essex County, Inc. (“Organization”) (formerly known as Interfaith Hospitality Network for the Homeless of Essex County, Inc.) is a nondenominational 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 Congregational Shelter Program, local congregations and their volunteers provide temporary, overnight lodging and meals for homeless families. While families are in the shelter program, the Organization provides intensive case management services to help each family establish a goal-driven plan to overcome homelessness. The Organization 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. The Organization provides educational and enrichment programs for children and adults in shelter and housing.

The Organization 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 the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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.

In November 2016, the Financial Accounting Standards Board (“FASB”) issued an accounting standard, *Statement of Cash Flows – Restricted Cash*, which requires that changes in cash, cash equivalents, and restricted cash be included on the statements of cash flows. The Organization adopted the new standard on January 1, 2020, using the retrospective approach.

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.

The Organization 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, 2020 and 2019, the allowance for uncollectible pledges receivable was \$30,000 and \$24,500, respectively.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances for these program receivables. The Organization 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 are carried at cost. Depreciation is provided on a straight-line basis over the estimated 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

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Contributions:

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions receivable are receivables that the Organization expects to be collected within one year and are recorded at their net realizable value. The Organization 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.

Funds received from various state and local agencies represent conditional contributions awarded to the Organization 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 the Organization from governmental agencies for expenditures incurred during the years ended December 31, 2020 and 2019. Deferred revenue represents funds received that have not been expended at year-end. At December 31, 2020 and 2019, deferred revenue was \$40,523 and \$12,375, respectively.

Revenue Recognition:

The Organization occasionally derives a portion of its revenue from a special event. The direct benefit to donors of the special event is recognized as revenue in the financial statements. The direct benefit to donors is an amount that reflects the consideration the Organization expects to be entitled to in exchange for the event. For the performance obligation relating to the direct benefit to donors, control transfers to the client at a point in time when the event takes place. There are no significant financing components or variable considerations provided to clients. During 2020, this event was not held due to the COVID-19 pandemic.

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.

Income Taxes:

The Organization is exempt from federal and state income taxes, under Section 501(c)(3) of the Internal Revenue Code.

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Income Taxes: (Continued)

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization'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. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during 2020 or 2019. At December 31, 2020 and 2019, there were no significant income tax uncertainties and penalties, disclosures or transitions. The Organization'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. The Organization received donated materials and meals of \$12,970 and \$30,654 for the years ending December 31, 2020 and 2019, respectively. The Organization also received donated rent in the amount of \$1,654 for the years ending December 31, 2020 and 2019.

Advertising:

The Organization expenses advertising costs as they are incurred.

Recent Accounting Pronouncements:

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The effective date for the pronouncement is for periods beginning after December 15, 2021. It will be effective for the Organization for the year ended December 31, 2022. The Organization is currently evaluating the effect the new standard will have on the financial statements.

Summarized, 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 the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after December 31, 2020 through June 18, 2021, 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 are expected to be received as follows:

	December 31,	
	2020	2019
In less than one year	\$ 70,159	\$ 116,151
In one to five years	27,544	68,751
Pledges receivable	97,703	184,902
Less: Allowance for uncollectible pledges	(30,000)	(24,500)
Less: Unamortized discount	(600)	(1,718)
Net Pledges Receivable	<u>\$ 67,103</u>	<u>\$ 158,684</u>

Pledges receivable with due dates extending beyond one year are discounted using rates at December 31, 2020 and 2019, of 1.50%.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2020	2019
Transportation equipment	\$ 36,654	\$ 36,654
Leasehold improvements	29,122	29,122
Furniture and equipment	35,345	35,345
	101,121	101,121
Less: Accumulated depreciation	(99,161)	(93,161)
	<u>\$ 1,960</u>	<u>\$ 7,960</u>

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5 - LINE OF CREDIT:

The Organization had a revolving line of credit with a financial institution that expired on April 1, 2020, which was not renewed. Bank advances on the line of credit were payable on demand and carried an interest rate of 1.25% over the prime rate as published in the Wall Street Journal. The line of credit was unsecured. The remaining balance of \$50,000 that was outstanding as of April 1, 2020 was converted to a note payable with the bank. The note was payable in payments of approximately \$940 with a fixed interest rate of 4.75% and a maturity date of April 1, 2025. The note payable was paid in full as of December 31, 2020, and the outstanding balance on the line of credit was paid in full as of December 31, 2019.

NOTE 6 - OPERATING LEASES:

The Organization has an operating lease for office space that expired August 31, 2019. After expiration of the lease, the Organization continued to use the office space on a monthly basis. There is no agreement in excess of one month as of the report date.

Rental expense under this operating lease for the years ended December 31, 2020 and 2019, was \$43,282 and \$44,082, respectively, and is included in office rent and utilities on the statement of functional expenses.

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:

	Year Ended	
	December 31,	
	2020	2019
Purchase of furniture and equipment	\$ -	\$ 1,348
Camps	-	1,200
Montclair residents	13,449	-
Special gifts	2,177	139
Expired time restrictions on pledges received	40,089	161,104
	<u>\$ 55,715</u>	<u>\$ 163,791</u>

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

The following net assets with donor restrictions are available for the following purposes:

	December 31,	
	2020	2019
Special gifts	\$ 150	\$ -
Camps	1,250	-
Montclair residents	11,551	-
Time restriction on pledges receivable	26,944	67,033
Total Net Assets With Donor Restrictions	<u>\$ 39,895</u>	<u>\$ 67,033</u>

NOTE 9 - FUNCTIONAL EXPENSES:

Costs of providing the Organization's program services, management and general, and fundraising activities are separately summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising activities benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization. Client services and bad debt expense are based on the direct-costing method. All other expenses are based on time and effort.

NOTE 10 - CONCENTRATIONS OF RISK:

Support and Revenue:

The Organization received a substantial portion of its revenues from federal and state programs. The Organization received approximately 31% and 39% for the years ended December 31, 2020 and 2019, 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.

Legal:

The Organization 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 Organization's financial position or results of operations.

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 11 - REFUNDABLE ADVANCE:

The Organization obtained a Paycheck Protection Program loan under the CARES Act in April, 2020 for approximately \$75,000. The loan is to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. PPP loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period. The Organization has applied for and expects to receive full forgiveness of the loan based on the criteria for forgiveness.

Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred under the PPP Flexibility Act, which extends the deferral period until the date the lender receives the applicable forgiven amount from the U.S. Small Business Administration, which is not to exceed 10 months after the covered period, and are payable with interest at 1.00%, through 2025. The loan is uncollateralized and guaranteed by the U.S. Small Business Administration.

NOTE 12 - LOANS PAYABLE:

Loans payable consists of the following:

	December 30 ,	
	2020	2019
The Organization secured an economic injury disaster loan from the Small Business Administration, which is to be used for working capital purposes. The loan is payable over 30 years, beginning twelve months after the loan proceeds have been disbursed. Interest accrues at a rate of 2.75%. Installment payments, including interest and principal, are due monthly beginning July 31, 2021, in the amount of \$641. The loan is collateralized with all of the Organization's tangible assets.	\$ 149,900	\$ -
Less: Current portion	2,029	-
Loan Payable, net of current portion	\$ 147,871	\$ -

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 12 - LOANS PAYABLE: (Continued)

Maturity of loan for each of the next five years and thereafter is as follows:

Year	Amount
FY 2021	\$ 2,029
FY 2022	2,359
FY 2023	3,621
FY 2024	3,722
FY 2025	3,826
Thereafter	134,343
Total	<u>\$ 149,900</u>

NOTE 13 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

NOTE 14 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets at December 31, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 14 - LIQUIDITY AND AVAILABILITY: (Continued)

	2020	2019
Cash and cash equivalents – unrestricted	\$ 411,576	\$ 117,950
Pledges receivable, short-term	40,160	116,151
Contributions receivable	15,000	20,000
Grants receivable	83,165	86,872
Accounts receivable	-	9,000
Total financial assets	<u>549,901</u>	<u>349,973</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(39,895)	(67,033)
Estimated releases	37,745	40,508
	<u>(2,150)</u>	<u>(26,525)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 547,751</u>	<u>\$ 323,448</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures and liabilities come due.

FAMILY PROMISE OF ESSEX COUNTY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

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 Shelter Operations	14.231	E-18-UC-34-0014	\$ 26,500	\$ 20,410
Emergency Shelter Grant Shelter Operations	14.231	E-19-UC-34-0014	26,500	-
Emergency Shelter Grant Rapid Re-Housing	14.231	E-18-UC-34-0014	70,000	53,620
Emergency Shelter Grant Rapid Re-Housing	14.231	E-19-UC-34-0014	70,000	-
Emergency Shelter Grant Rapid Re-Housing	14.231	E-19-UC-34-0014	44,975	33,592
Emergency Shelter Grant Rapid Re-Housing	14.231	E-19-UC-34-0014	27,781	7,350
			<u>265,756</u>	<u>114,972</u>
Community Development Block Grant	14.218	B-18-UC-34-0101	19,600	7,126
Community Development Block Grant	14.218	B-19-UC-34-0101	19,600	14,291
			<u>39,200</u>	<u>21,417</u>
Total Passed Through Essex County Housing and Community Development			<u>304,956</u>	<u>136,389</u>
Federal Emergency Management Agency				
Passed Through Essex County Local Board				
Emergency Food and Shelter Program	97.024	N/A	57,000	12,375
Emergency Food and Shelter Program	97.024	N/A	20,000	4,277
Emergency Food and Shelter Program	97.024	N/A	32,500	7,700
			<u>109,500</u>	<u>24,352</u>
United States Small Business Administration				
Disaster Assistance Loans	59.008	N/A	149,900	-
			<u>564,356</u>	<u>160,741</u>
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	SSH19007	113,000	114,674
Montclair COVID relief	N/A	N/A	1,000	1,000
TOTAL STATE AWARDS			<u>114,000</u>	<u>115,674</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 678,356</u>	<u>\$ 276,415</u>

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

FAMILY PROMISE OF ESSEX COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Family Promise of Essex County, Inc. (“Organization”) under programs of the federal and state government for the year ended December 31, 2020, 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, 2020, the Organization did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

During the year ended December 31, 2020, the Organization 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, 2020, \$149,900 was outstanding under the federal loan program.

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
Family Promise 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 Family Promise of Essex County, Inc. (“Organization”) (formerly known as Interfaith Hospitality Network for the Homeless of Essex County, Inc.), which comprise the statement of financial position as of December 31, 2020, 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 June 18, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’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 the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 the Organization’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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Livingston, New Jersey
June 18, 2021

FAMILY PROMISE OF ESSEX COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

Summary of Auditors' Results:

Financial Statements

The auditors' report issued on the financial statements of the Organization was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X No

- Noncompliance material to financial
statements noted? _____ Yes X No

I. Findings – Financial Statement Audit:

NONE

III. Findings and Questioned Costs – Federal Awards:

NONE

IV. Prior Audit Findings:

NONE