**FAMILY PROMISE OF ESSEX COUNTY, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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**FAMILY PROMISE OF ESSEX COUNTY, INC.**

DECEMBER 31, 2022 AND 2021

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CliftonLarsonAllen LLP
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# INDEPENDENT AUDITORS' REPORT

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Family Promise of Essex County, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2022, 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.

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, 2022, 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.

### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Change in Accounting Principle*

As discussed in Note 2 to the financial statements, in 2022 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, 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 solely 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 the effectiveness of the Organization's 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**

The financial statements of Family Promise of Essex County, Inc. as of December 31, 2021, were audited by Sobel & Co., LLC whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated September 6, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Livingston, New Jersey
June 20, 2023

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash | $ 633,235 | $ 680,720 |
| Pledges receivable, short-term, net | 26,703 | 20,628 |
| Contributions receivable | 37,500 | 35,000 |
| Grants receivable | 100,453 | 121,546 |
| Prepaid expenses | 2,573 | 5,690 |
| Total Current Assets | 800,464 | 863,584 |
| PROPERTY AND EQUIPMENT, NET | 2,783 | 3,522 |
| PLEDGES RECEIVABLE, LONG-TERM, NET | 84,203 | 9,584 |
| SECURITY DEPOSITS | 2,500 | 2,500 |
| OPERATING RIGHT OF USE ASSET, NET OF ACCUMULATED AMORTIZATION | 8,254 | - |
| | $ 898,204 | $ 879,190 |
| **LIABILITIES AND NET ASSETS** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 34,410 | $ 40,276 |
| Current portion of notes payable | 3,615 | - |
| Current portion of operating lease liability | 2,160 | - |
| Total Current Liabilities | 40,185 | 40,276 |
| NOTES PAYABLE, NET OF CURRENT PORTION | 146,285 | 149,900 |
| OPERATING LEASE LIABIITY, NET OF CURRENT PORTION | 6,094 | - |
| Total Liabilities | 192,564 | 190,176 |
| NET ASSETS: | | |
| Without Donor Restrictions | 592,710 | 647,034 |
| With Donor Restrictions | 112,930 | 41,980 |
| Total Net Assets | 705,640 | 689,014 |
| | $ 898,204 | $ 879,190 |

**FAMILY PROMISE OF ESSEX COUNTY, INC.**
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL 2022 | TOTAL 2021 |
|---|---|---|---|---|
| SUPPORT AND REVENUE | | | | |
| Contributions: | | | | |
| Individuals | $ 303,658 | $ 85,065 | $ 388,723 | $ 293,588 |
| Foundations | 145,560 | 18,000 | 163,560 | 239,975 |
| Religious organizations | 40,508 | 18,000 | 58,508 | 37,162 |
| Business organizations | 97,710 | 3,000 | 100,710 | 55,271 |
| Community groups | 4,500 | - | 4,500 | 3,300 |
| Government grants | 583,705 | - | 583,705 | 405,145 |
| Donated services and materials | 22,524 | - | 22,524 | 32,040 |
| Program service and other revenue | 15,069 | - | 15,069 | 12,790 |
| Total Support and Revenue | 1,213,234 | 124,065 | 1,337,299 | 1,079,271 |
| NET ASSETS RELEASED FROM RESTRICTIONS | 53,115 | (53,115) | - | - |
| EXPENSES | | | | |
| Program services | 1,113,579 | - | 1,113,579 | 712,600 |
| Management and general | 54,213 | - | 54,213 | 41,935 |
| Fundraising | 152,881 | - | 152,881 | 113,301 |
| Total Expenses | 1,320,673 | - | 1,320,673 | 867,836 |
| CHANGES IN NET ASSETS | (54,324) | 70,950 | 16,626 | 211,435 |
| NET ASSETS - Beginning of year | 647,034 | 41,980 | 689,014 | 477,579 |
| NET ASSETS - End of year | $ 592,710 | $ 112,930 | $ 705,640 | $ 689,014 |

**FAMILY PROMISE OF ESSEX COUNTY, INC.**
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

| | Program Expenses | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|
| | Prevention | Shelter | Housing & Stabilization | Total Program Expenses | Management and General | Fundraising | 2022 Total | 2021 Total |
| SALARIES AND RELATED EXPENSES: | | | | | | | | |
| Salaries | $ 85,278 | $ 109,678 | $ 120,883 | $ 315,839 | $ 22,880 | $ 67,558 | $ 406,277 | $ 307,949 |
| Payroll taxes | 7,761 | 9,981 | 11,002 | 28,744 | 2,082 | 6,148 | 36,974 | 26,416 |
| Employee benefits | 6,348 | 8,165 | 9,000 | 23,513 | 1,703 | 5,029 | 30,245 | 14,809 |
| | 99,387 | 127,824 | 140,885 | 368,096 | 26,665 | 78,735 | 473,496 | 349,174 |
| OTHER EXPENSES: | | | | | | | | |
| Client services: | | | | | | | | |
| Rental assistance | 164,846 | - | 93,984 | 258,830 | - | - | 258,830 | 160,088 |
| Security deposits | 41,403 | - | 38,329 | 79,732 | - | - | 79,732 | 51,838 |
| Utilities assistance | 2,052 | - | 5,611 | 7,663 | - | - | 7,663 | 11,439 |
| Shelter facilities | - | 191,529 | - | 191,529 | - | - | 191,529 | 61,981 |
| Client needs assistance | - | 29,839 | 33,627 | 63,466 | - | - | 63,466 | 46,451 |
| Professional fees | 10,649 | 13,696 | 15,096 | 39,441 | 2,857 | 8,437 | 50,735 | 60,873 |
| Insurance | 2,992 | 3,849 | 4,242 | 11,083 | 803 | 2,370 | 14,256 | 15,799 |
| Office rent and utilities | 10,081 | 11,698 | 13,030 | 34,809 | 4,755 | 7,989 | 47,553 | 43,282 |
| Office supplies and expenses | 10,083 | 12,713 | 14,040 | 36,836 | 3,116 | 7,988 | 47,940 | 33,557 |
| Telecommunications | 1,576 | 5,691 | 5,898 | 13,165 | 1,177 | 3,943 | 18,285 | 20,184 |
| Fundraising costs | - | - | - | - | - | 42,275 | 42,275 | 9,136 |
| Dues and subscriptions | 945 | 1,215 | 1,339 | 3,499 | 253 | 748 | 4,500 | 3,124 |
| Professional development | 1,379 | 1,392 | 2,117 | 4,888 | 547 | 272 | 5,707 | 324 |
| Miscellaneous Expenses | - | - | - | - | 918 | - | 918 | - |
| Bad debt expense | - | - | - | - | 13,049 | - | 13,049 | - |
| Total Expenses before Depreciation | 345,393 | 399,446 | 368,198 | 1,113,037 | 54,140 | 152,757 | 1,319,934 | 867,250 |
| Depreciation | 157 | 182 | 203 | 542 | 73 | 124 | 739 | 586 |
| Total Expenses | $ 345,550 | $ 399,628 | $ 368,401 | $ 1,113,579 | $ 54,213 | $ 152,881 | $ 1,320,673 | $ 867,836 |

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

| | Year Ended December 31, 2022 | 2021 |
|---|---|---|
| CASH FLOWS PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES: | | |
| Changes in net assets | $ 16,626 | $ 211,435 |
| Adjustments to reconcile changes in net assets to net cash (used for) provided by operating activities: | | |
| Depreciation expense | 739 | 586 |
| Bad debt expense | 13,049 | - |
| Discount on pledges receivable | 6,762 | - |
| Forgiveness of Paycheck Protection Plan Loan | - | (129,622) |
| Changes in certain assets and liabilities: | | |
| Pledges receivable | (100,505) | 36,891 |
| Contributions receivable | (2,500) | (20,000) |
| Grants receivable | 21,093 | (38,381) |
| Prepaid expenses | 3,117 | 9,683 |
| Accounts payable and accrued expenses | (5,866) | 22,531 |
| Deferred revenue | - | (40,523) |
| Net Cash (Used for) Provided by Operating Activities | (47,485) | 52,600 |
| INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | - | (2,148) |
| FINANCING ACTIVITIES: | | |
| Proceeds from Paycheck Protection Plan Loan | - | 54,377 |
| NET (DECREASE) INCREASE IN CASH | (47,485) | 104,829 |
| CASH, Beginning of year | 680,720 | 575,891 |
| CASH, End of year | $ 633,235 | $ 680,720 |

## 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 based in Montclair, New Jersey. The Organization provides direct social services, including prevention and emergency services and housing assistance so homeless and “at risk” families in Essex County can find and sustain a home. By engaging faith based and community groups, the Organization provides emergency shelter and meals for families experiencing homelessness. The Organization provides intensive case management services to help each family establish a goal-driven plan to avoid or 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.

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

***Cash:***
Cash consists of funds maintained in checking, savings and money market accounts. At times, such deposits exceed insured limits. The Organization reduces its exposure to credit risk by maintaining such deposits with major financial institutions and monitoring their credit ratings.

***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, 2022 and 2021, the allowance for uncollectible pledges receivable was $15,000 and $12,000, 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 are carried at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | **Estimated Useful Life** |
|---|---|
| Transportation equipment | 5-7 years |
| Leasehold improvements | 3-4 years |
| Furniture and equipment | 10 years |

***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.

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

***Contributions: (Continued)***
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, 2022 and 2021.

***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.

***Leases:***
The Organization leases a copier. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) asset, other current liabilities, and operating lease liability on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

***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. Donated services and materials are recorded as contributions at their estimated fair value at the date of donation.

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

***Advertising:***
The Organization 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.

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

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 2022 or 2021. At December 31, 2022 and 2021, 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.

***Adoption of New Accounting Standard:***
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization’s ROU assets.

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

***Adoption of New Accounting Standard: (Continued)***
In July 2020, the FASB issued an accounting standard update (“ASU”), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions for the contributed nonfinancial assets. The Organization adopted this ASU on January 1, 2022.

***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, 2021, from which the summarized information was derived.

***Reclassifications:***
Certain amounts have been reclassified in the 2021 financial statements to conform to the 2022 presentation.

***Subsequent Events:***
The Organization has evaluated its subsequent events and transactions occurring after December 31, 2022 through June 20, 2023, 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, 2022 | December 31, 2021 |
|---|---|---|
| In less than one year | $ 41,703 | $ 32,628 |
| In one to five years | 90,965 | 9,584 |
| Pledges receivable | 132,668 | 42,212 |
| Less: Allowance for uncollectible pledges | (15,000) | (12,000) |
| Less: Unamortized discount | (6,762) | - |
| Net Pledges Receivable | $ 110,906 | $ 30,212 |

## NOTE 3 - PLEDGES RECEIVABLE: (Continued)

Pledges receivable with due dates extending beyond one year are discounted using a rate at December 31, 2022, of 4%. The pledge discount, at December 31, 2021, was not considered material.

## NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

| | December 31, | |
|---|---|---|
| | **2022** | **2021** |
| Transportation equipment | $ 36,654 | $ 36,654 |
| Leasehold improvements | 29,122 | 29,122 |
| Furniture and equipment | 23,738 | 23,738 |
| | 89,514 | 89,514 |
| Less: Accumulated depreciation | (86,731) | (85,992) |
| | $ 2,783 | $ 3,522 |

## NOTE 5 - OPERATING LEASES:

The Organization leases equipment under a long-term, non-cancelable lease agreement. The lease expires on September 28, 2026. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease. Additionally, the agreement generally requires the Organization to pay for copies in excess of the monthly amounts stated in the agreement.

NOTE 5 - OPERATING LEASES: (Continued)

The following table provides quantitative information concerning the Organization's lease as of December 31, 2022:

| | **2022** |
|---|---|
| Operating lease cost: | $ 2,259 |
| Other information: | |
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $ 2,259 |
| Right of use assets obtained in exchange for new operating lease liabilities | $ 10,384 |
| Weighted-average remaining lease term - operating leases | 3.7 years |
| Weighted-average discount rate - operating leases | 1.37% |

The Organization classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for the operating lease liabilities as of December 31, 2022, is as follows:

| **Year Ending December 31,** | **Amount** |
|---|---|
| 2023 | $ 2,259 |
| 2024 | 2,259 |
| 2025 | 2,259 |
| 2026 | 1,695 |
| Total lease payments | 8,472 |
| Less: imputed interest | (218) |
| Present Value of Lease Payments | $ 8,254 |

## NOTE 6 - CONTRIBUTED NONFINANCIAL ASSETS:

Contributed nonfinancial assets consists of the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Household goods and food | $ 19,224 | $ 16,416 |
| Professional services | - | 13,970 |
| Rent | 3,300 | 1,654 |
| Total Contributed Nonfinancial Assets | $ 22,524 | $ 32,040 |

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

| **Contributed Nonfinancial Asset** | **Valuation Techniques and Inputs** |
|---|---|
| Household goods and food | Estimated based on estimates of retail values for similar products |
| Professional services | Estimated based on hourly rates for similar services |
| Rent | Estimated based on rental rates for similar properties in the same geographical market |

The Organization receives donated household goods and food for program use and also receives donated rent for the use of space. In 2021, the Organization also received donated legal services and technology support services from various professionals. The Organization’s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization.

All gifts-in-kind received by the Organization for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by management.

## 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, 2022 | Year Ended December 31, 2021 |
|---|---|---|
| Purchase of equipment and software | $ 7,166 | $ 7,834 |
| Camps | - | 2,649 |
| Montclair residents | 38,035 | 36,551 |
| Special gifts | 1,230 | 1,071 |
| Expired time restrictions on pledges received | 6,684 | 17,360 |
| | $ 53,115 | $ 65,465 |

## NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS:

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

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Special gifts | $ - | $ 230 |
| Montclair residents | 21,965 | 25,000 |
| Purchase of furniture and equipment | - | 7,166 |
| Time restriction on pledge receivable | 90,965 | 9,584 |
| Total Net Assets With Donor Restriction | $ 112,930 | $ 41,980 |

## 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 44% and 38% for the years ended December 31, 2022 and 2021, 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.

## NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN:

The Organization obtained a Paycheck Protection Program ("PPP") loan under the CARES Act in April 2020 for $75,245. The Organization also received a second round of PPP funding in March 2021 for $54,377. The Organization recorded the $129,622 received as a conditional government grant, and recognized revenue when the conditions set forth by the U.S. Small Business Administration ("SBA") were met. The Organization formally received full forgiveness of these PPP funds as of December 2021. All amounts received under the PPP were recognized as government grants on the statement of activities and changes in net assets. The SBA reserves the right to audit loan forgiveness for six years from the date the forgiveness was awarded.

## NOTE 12 - LOANS PAYABLE:

Loans payable consists of the following:

| | December 31 , | |
|---|---|---|
| | **2022** | **2021** |
| 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 thirty months after the loan date. Interest accrues at a rate of 2.75%. Installment payments, including interest and principal, are due monthly beginning January 27, 2023, in the amount of $641. The loan is collateralized with all of the Organization's tangible assets. | $ 149,900 | $ 149,900 |

## NOTE 12 - LOANS PAYABLE: (Continued)

As of December 31, 2022, the Organization recorded $10,306 in interest which represents the interest that is accruing on the loan while loan payments are deferred. Such amount is included in accounts payable and accrued expenses on the statement of financial position.

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

| Year Ended December 31, | Amount |
|---|---|
| 2023 | $ 3,615 |
| 2024 | 3,716 |
| 2025 | 3,819 |
| 2026 | 3,926 |
| 2027 | 4,035 |
| Thereafter | 130,789 |
| Total | $ 149,900 |

## NOTE 13 - RELATED PARTY:

The Organization is an affiliate of Family Promise Inc. located in Summit, New Jersey. Family Promise Inc. provided the Organization with contributions in the amount of $30,500 and $35,000 during the years ended December 31, 2022 and 2021, respectively. The Organization also paid Family Promise Inc. affiliate fees in the amount of $4,500 and $2,299 for the years ended December 31, 2022 and 2021, respectively.

## NOTE 14 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization’s financial assets at December 31, 2022 and 2021, 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.

NOTE 14 - LIQUIDITY AND AVAILABILITY: (Continued)

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash | $ 633,235 | $ 680,720 |
| Pledges receivable, short-term | 26,703 | 20,628 |
| Contributions receivable | 37,500 | 35,000 |
| Grants receivable | 100,453 | 121,546 |
| Total financial assets | 797,891 | 857,894 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | (112,930) | (41,980) |
| Estimated releases | 53,110 | 6,384 |
| | (59,820) | (35,596) |
| Financial assets available to meet general expenditures over the next twelve months | $ 738,071 | $ 822,298 |

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

# 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*

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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Family Promise of Essex County, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2023.

**Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an 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 the 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 or significant deficiencies may exist that were not identified.

Board of Trustees
Family Promise of Essex County, Inc.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Livingston, New Jersey
June 20, 2023

# FAMILY PROMISE OF ESSEX COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

**Summary of Auditors' Results:**

**I. 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 |

**II. Findings – Financial Statement Audit:**

NONE

**III. Findings and Questioned Costs – Federal and State Awards:**

NONE

**IV. Prior Audit Findings:**

NONE