

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2010

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

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To the Board of Trustees of
Interfaith Hospitality Network
for the Homeless of Essex County, Inc.
Montclair, New Jersey

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Interfaith Hospitality Network for the Homeless of Essex County, Inc. (IHN), as of December 31, 2010, and the related statements of activities, cash flows, and of functional expenses for the year then ended. These financial statements are the responsibility of the IHN's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the IHN's December 31, 2009 financial statements, and in our report dated April 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Hospitality Network for the Homeless of Essex County, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lambides, Arnold, Moulthrop LLP

March 30, 2011

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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 97,639	\$ 109,549
Pledges and grants receivable less allowance of \$10,183 (Note 3)	243,960	193,487
Prepaid expenses	15,360	
Fixed assets, net of accumulated depreciation		
of \$33,647 - 2010 and \$22,161 - 2009 (Note 4)	34,501	16,865
Security deposit	<u>8,425</u>	<u>2,500</u>
Total assets	<u>\$ 399,885</u>	<u>\$ 322,401</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,238	\$ 693
Total current liabilities	<u>3,238</u>	<u>693</u>
Net Assets:		
Unrestricted	396,647	311,008
Temporarily restricted	<u>-</u>	<u>10,700</u>
Total net assets	<u>396,647</u>	<u>321,708</u>
Total liabilities and net assets	<u>\$ 399,885</u>	<u>\$ 322,401</u>

See notes to the financial statements.

Exhibit A

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u> <u>2010</u>	<u>2009</u>
Support and Revenue:				
Contributions:				
Individuals	\$ 294,768		\$ 294,768	\$ 308,632
Foundations	48,570	\$ 11,949	60,519	53,253
Religious organizations	26,577		26,577	40,984
Business and industry	28,577		28,577	21,556
Community groups	5,581		5,581	6,020
Grants	125,982		125,982	118,564
Gifts in-kind			-	8,852
Investment income			-	80
Loss on disposal of fixed assets				(12,969)
Net assets released from restrictions	22,649	\$ (22,649)	-	-
Total support and revenue	<u>552,704</u>	<u>(10,700)</u>	<u>542,004</u>	<u>544,972</u>
Expenses:				
Program services	364,800		364,800	256,520
Supporting services:				
Management and general	41,987		41,987	40,967
Fundraising	60,278		60,278	46,386
Total supporting services	102,265		102,265	87,353
Total expenses	<u>467,065</u>	<u>-</u>	<u>467,065</u>	<u>343,873</u>
Change in Net Assets	85,639	(10,700)	74,939	201,099
Net Assets at Beginning of Year	<u>311,008</u>	<u>10,700</u>	<u>321,708</u>	<u>120,609</u>
Net Assets at End of Year	<u>\$ 396,647</u>	<u>\$ -</u>	<u>\$ 396,647</u>	<u>\$ 321,708</u>

See notes to the financial statements.

Exhibit B

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ 74,939	\$ 201,099
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Loss on disposal of fixed assets	-	12,969
Depreciation expense	11,486	9,894
Contributions of furniture	-	(3,852)
(Increase) decrease in:		
Pledges and grants receivable	(50,473)	(177,186)
Prepaid expenses	(15,360)	
Security deposit	(5,925)	(934)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,545	(2,371)
Net cash provided by operating activities	<u>17,212</u>	<u>39,619</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>(29,122)</u>	-
Net cash used by investing activities	<u>(29,122)</u>	-
Net (Decrease) Increase in Cash and Cash Equivalents	(11,910)	39,619
Cash and Cash Equivalents at Beginning of Year	<u>109,549</u>	<u>69,930</u>
Cash and Cash Equivalents at End of Year	<u>\$ 97,639</u>	<u>\$ 109,549</u>

See notes to the financial statements.

Exhibit C

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL EXPENSES	
		MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	2010	2009
Salaries	\$ 150,487	\$ 19,293	\$ 23,152	\$ 42,445	\$ 192,932	\$ 149,624
Payroll taxes	19,656	2,520	3,024	5,544	25,200	15,392
Employee benefits	5,262	675	809	1,484	6,746	3,458
Total salary and related expense	175,405	22,488	26,985	49,473	224,878	168,474
Client services	93,136			-	93,136	78,742
Professional fees	10,791	1,384	1,660	3,044	13,835	4,000
Insurance	9,051	559	559	1,118	10,169	12,018
Office rent and utilities	26,666	5,333	1,333	6,666	33,332	16,478
Building repair and maintenance	2,363	322		322	2,685	2,661
Office supplies and expenses	9,750	1,250	1,501	2,751	12,501	4,612
Telecommunications	12,955	1,661	1,992	3,653	16,608	12,200
Printing and Postage	11,145	1,429	1,715	3,144	14,289	8,271
Fundraising costs			23,405	23,405	23,405	14,795
Dues and subscriptions	2,451	314	377	691	3,142	227
Staff development	1,898	243	292	535	2,433	1,318
Uncollectible debt expense		5,166		5,166	5,166	10,183
Total expenses before depreciation	355,611	40,149	59,819	99,968	455,579	333,979
Depreciation	9,189	1,838	459	2,297	11,486	9,894
Total expenses	\$ 364,800	\$ 41,987	\$ 60,278	\$ 102,265	\$ 467,065	\$ 343,873

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

1. Organization:

Interfaith Hospitality Network for the Homeless of Essex County, Inc., (IHN), a New Jersey not-for-profit organization, was formed to provide shelter, meals and assistance to homeless families. The IHN Emergency Shelter Program mobilizes existing community resources: churches and synagogues for overnight lodging, congregations for volunteers, and social service agencies for screening and referrals. Each host congregation furnishes overnight lodging and meals for three to five families for one week, several times a year, on a rotating basis. The IHN's Director of Social Services provides ongoing case management to help each family move toward self-sufficiency. The IHN Transitional Housing Program provides a stable rental home for 12-18 months along with ongoing case management and support services to help families acquire the needed skills to live independently. Families apply and are selected from the IHN Emergency Shelter Program or another appropriate shelter.

Interfaith Hospitality Network for the Homeless of Essex County, Inc., is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is classified by the IRS as other than a private foundation. IHN is exempt from federal and state income tax.

2. Summary of Significant Accounting Policies:

The following significant accounting policies followed by IHN are described below to enhance the usefulness of the financial statements to the reader.

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting.

(b) Net Assets

The net assets of IHN and changes therein are classified and reported as follows:

- Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate IHN to utilize funds in furtherance of its mission.
- Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by IHN which fulfill the restrictions or because of the passage of time. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

2. Summary of Significant Accounting Policies: (continued)

(c) Contributions

Contributions are recorded as revenue upon receipt of cash or unconditional promises to give (pledges). Contributions are considered available for unrestricted use unless specifically restricted by the donor.

(d) Cash and Cash Equivalents

Cash includes checking, savings and money market accounts. Certificates of deposit with maturity of three months or less when purchased are considered to be cash equivalents.

(e) Firm Pledges

Firm pledges are recognized as income in the year for which the pledge is made. Pledges that are expected to be received within one year are recorded at net realized value. Pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue.

(f) Land, Buildings and Equipment

Land, buildings and equipment are stated at cost, or if donated, at the fair market value at the date of gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Estimated useful lives are:

Transportation equipment	5-7 years
Leasehold improvements	3-4 years
Furniture and equipment	10 years

(g) 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 in the financial statements and accompanying notes. Actual results could differ from these estimates.

(h) Donated Materials and Services

- IHN receives donations of food, clothing and other materials which are recorded as support at their estimated fair value at the date of donation and are expensed for program services.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

2. Summary of Significant Accounting Policies: (continued)

(h) Donated Materials and Services (continued)

- Donated services are recognized as contributions in accordance with FASB ASC No. 958, *Not-for-Profit Entities*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHN.
- IHN receives significant amounts of donated services from unpaid volunteers who assist in program services and supporting services. Approximately 1,250 volunteers assisted IHN in program and supporting services during 2010. No amounts for volunteer services have been recorded in IHN's financial statements for the year ended December 31, 2010 because the criteria for recognition in accordance with FASB ASC No. 958 have not been met.

3. Pledges Receivable:

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

In less than one year	\$ 120,665
In one to five years	<u>133,478</u>
Net pledges receivable	254,143
Less: allowance for uncollectible pledges	<u>(10,183)</u>
Net pledges receivable	<u>\$ 243,960</u>

4. Property and Equipment:

Property and equipment at December 31, 2009 consisted of the following:

Transportation equipment	\$ 33,497
Leasehold improvements	29,122
Furniture and equipment	<u>5,529</u>
	68,148
Less accumulated depreciation	<u>(33,647)</u>
	<u>\$ 34,501</u>

5. Net Assets Released from Restrictions:

Temporarily restricted net assets were released for the following purposes:

Family center renovations	<u>\$ 22,649</u>
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**INTERFAITH HOSPITALITY NETWORK
FOR THE HOMELESS OF ESSEX COUNTY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

7. Operating Leases:

IHN has several operating leases primarily for office space and transitional housing apartments. The lease for office rent expires August 31, 2014. Initial monthly rental expense is \$2,750. On September 1, 2010, there was an annual increase of three percent and there will be an annual increase for each year until the termination. The total monthly rental expense for the transitional housing apartment leases is \$5,445. The leases are a month to month tenancy and may be terminated on 60 days written notice by either lessor or lessee.

Rental expenses for those leases totaled \$79,262 for the year ended December 31, 2010.

Rental expenses for the leases for each of the next four years are as follows:

2011	34,332
2012	35,336
2013	36,332
2014	24,668
	<u>\$ 130,668</u>

8. Reclassifications:

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements with no effect on change in net assets.

9. Subsequent Events:

In preparing these financial statements, IHN has evaluated events and transactions for potential recognition or disclosure through March 30, 2011, the date the financial statements were available to be issued.

Concluded