

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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2011

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

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LAMBRIDES
ARNOLD, MOULTHROP LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, 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, 2010 financial statements, and in our report dated March 30, 2011, 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, 2011, 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.

Lambrides, Arnold, Moulthrop LLP

May 4, 2012

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

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 65,574	\$ 97,639
Pledges receivable, net (Note 3)	303,860	197,526
Grants receivable	57,718	42,099
Rents and other receivable	4,551	4,335
Prepaid expenses	14,811	15,360
Fixed assets, net of accumulated depreciation of \$50,141 - 2011 and \$33,647 - 2010 (Note 4)	25,042	34,501
Security deposit	9,850	8,425
Total assets	<u>\$ 481,406</u>	<u>\$ 399,885</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,634	\$ 3,238
Total current liabilities	<u>11,634</u>	<u>3,238</u>
Net Assets:		
Unrestricted	469,772	396,647
Temporarily restricted	-	-
Total net assets	<u>469,772</u>	<u>396,647</u>
Total liabilities and net assets	<u>\$ 481,406</u>	<u>\$ 399,885</u>

See notes to the financial statements.

Exhibit A

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

**STATEMENT OF ACTIVITIES – UNRESTRICTED
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2011</u>	<u>2010</u>
Support and Revenue:		
Contributions:		
Individuals	\$ 306,209	\$ 279,009
Foundations	87,248	84,050
Religious organizations	36,028	26,577
Business and industry	13,271	5,046
Community groups	8,025	5,581
Government grants	139,552	125,982
Gifts in-kind	7,990	-
Program service revenue	25,154	15,552
Investment income	70	207
Miscellaneous income	57	-
Total support and revenue	<u>623,604</u>	<u>542,004</u>
Expenses:		
Program services	<u>430,730</u>	<u>364,800</u>
Supporting services:		
Management and general	41,483	41,987
Fundraising	78,266	60,278
Total supporting services	<u>119,749</u>	<u>102,265</u>
Total expenses	<u>550,479</u>	<u>467,065</u>
Change in Net Assets	73,125	74,939
Net Assets at Beginning of Year	<u>396,647</u>	<u>321,708</u>
Net Assets at End of Year	<u>\$ 469,772</u>	<u>\$ 396,647</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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 73,125	\$ 74,939
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Loss on disposal of fixed assets	-	-
Depreciation expense	16,494	11,486
Contributions of furniture	-	-
(Increase) decrease in:		
Pledges receivable	(106,334)	(33,298)
Government grants receivable	(15,619)	(15,432)
Rents and other receivable	(216)	(1,743)
Prepaid expenses	549	(15,360)
Security deposit	(1,425)	(5,925)
Increase (decrease) in:		
Accounts payable and accrued expenses	8,396	2,545
Net cash provided (used) by operating activities	<u>(25,030)</u>	<u>17,212</u>
Cash Flows from Investing Activities:		
Purchases of fixed assets	<u>(7,035)</u>	<u>(29,122)</u>
Net cash used by investing activities	<u>(7,035)</u>	<u>(29,122)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(32,065)	(11,910)
Cash and Cash Equivalents at Beginning of Year	<u>97,639</u>	<u>109,549</u>
Cash and Cash Equivalents at End of Year	<u>\$ 65,574</u>	<u>\$ 97,639</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, 2011
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

	SUPPORTING SERVICES			TOTAL EXPENSES	
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	2011	2010
Salaries	\$ 184,334	\$ 13,825	\$ 32,258	\$ 230,417	\$ 192,932
Payroll taxes	23,455	1,759	4,105	29,319	25,200
Employee benefits	6,550	491	1,146	8,187	6,746
Total salary and related expense	214,339	16,075	37,509	267,923	224,878
Client services	119,174	-	-	119,174	93,136
Professional fees	13,979	1,048	2,446	17,473	13,835
Insurance	10,754	807	1,882	13,443	10,169
Office rent and utilities	27,466	2,060	4,806	34,332	33,332
Building repair and maintenance	910	68	159	1,137	2,685
Office supplies and expenses	6,558	492	1,148	8,198	12,501
Telecommunications	8,720	654	1,526	10,900	16,608
Printing and Postage	12,538	940	2,194	15,672	14,289
Fundraising costs			23,745	23,745	23,405
Dues and subscriptions	1,140	86	200	1,426	3,142
Staff development	1,957	147	342	2,446	2,433
Uncollectible debt expense		18,116		18,116	5,166
Total expenses before depreciation	417,535	40,493	75,957	533,985	455,579
Depreciation	13,195	990	2,309	16,494	11,486
Total expenses	\$ 430,730	\$ 41,483	\$ 78,266	\$ 550,479	\$ 467,065

See notes to the financial statements.

Exhibit D

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. Organization:

Interfaith Hospitality Network for the Homeless of Essex County, Inc., (IHN), a non-denominational organization, based in Montclair NJ, provides shelter, direct services, and housing assistance so homeless and "at risk" families can find and sustain a home. Through the IHN Congregational Shelter Program, local congregations and their volunteers provide temporary overnight lodging and meals for homeless families. While families are in the congregational shelter program, IHN provides case management services to help each family establish a goal driven plan to overcome homelessness. IHN assists families with safe, affordable permanent or transitional housing and provides services to families after they leave the shelter program, helping them to transition to self-reliance and stability. IHN provides educational and enrichment programs for children and adults in shelter and housing.

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, 2011**

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.

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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 2011. No amounts for volunteer services have been recorded in IHN's financial statements for the year ended December 31, 2011 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.

Pledges as of December 31, 2011, are expected to be received as follows:

In less than one year	\$ 125,180
In one to five years	<u>209,175</u>
Pledges and grants receivable	334,355
Less: allowance for uncollectible pledges	(15,859)
Less: Unamortized discount	<u>(14,636)</u>
Net pledges receivable	<u>\$ 303,860</u>

4. Property and Equipment:

Property and equipment at December 31, 2011 consisted of the following:

Transportation equipment	\$ 33,497
Leasehold improvements	29,122
Furniture and equipment	<u>12,564</u>
	75,183
Less accumulated depreciation	<u>(50,141)</u>
	<u>\$ 25,042</u>

Continued

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

5. 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. Since September 1, 2010, there has been 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 \$5,195. One of the transitional housing leases is on a one-year term commencing on November 1, 2011. The rent for this space is \$950 per month through October 31, 2012. The remaining leases are a month to month tenancy and may be terminated on 60 days written notice by either lessor or lessee. Rental expenses for the transitional housing leases totaled \$67,521 for the year ended December 31, 2011.

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

2012	\$ 35,336
2013	36,332
2014	<u>24,668</u>
	<u>\$ 96,336</u>

6. 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.

7. Subsequent Events:

In preparing these financial statements, IHN has evaluated events and transactions for potential recognition or disclosure through May 4, 2012, the date the financial statements were available to be issued.

Concluded