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

FINANCIAL STATEMENTS

For the Year Ended
December 31, 2012
* * *

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, NJ

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Interfaith Hospitality Network for the Homeless of Essex County, Inc. (IHN), which comprise the statement of financial position as of December 31, 2012, and the related statements of activity, cash flows, and functional expenses 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 Interfaith Hospitality Network for the Homeless of Essex County, Inc. as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited IHN's 2011 financial statements, and our report dated May 4, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lambrides, Arnold, Moulthrop LLP

June 3, 2013

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 59,927	$ 65,574
Pledges receivable, net (Note 3)	338,118	303,860
Grants receivable	55,232	57,718
Rents and other receivable	4,264	4,551
Prepaid expenses	12,307	14,811
Fixed assets, net of accumulated depreciation of $60,316 - 2012 and $50,141 - 2011 (Note 4)	16,773	25,042
Security deposit	9,850	9,850
Total assets	$ 496,471	$ 481,406
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 8,618	$ 11,634
Total current liabilities	8,618	11,634
Net Assets:		
Unrestricted	477,522	464,512
Temporarily restricted (Note 7)	10,331	5,260
Total net assets	487,853	469,772
Total liabilities and net assets	$ 496,471	$ 481,406

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, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL 2012	TOTAL 2011
Support and Revenue:				
Contributions:				
Individuals	$ 269,758		$ 269,758	$ 306,209
Foundations	108,394	$ 12,523	120,917	87,248
Religious organizations	21,212		21,212	36,028
Business and industry	6,320		6,320	13,271
Community groups	9,000		9,000	8,025
Government grants	156,632		156,632	139,552
Gifts in-kind	11,113		11,113	7,990
Program service revenue	26,579		26,579	25,154
Investment income	23		23	70
Miscellaneous income	-		-	57
Net assets released from restriction	7,452	(7,452)	-	-
Total support and revenue	616,483	5,071	621,554	623,604
Expenses:				
Program services	449,965		449,965	430,730
Supporting services:				
Management and general	68,025		68,025	41,483
Fundraising	85,483		85,483	78,266
Total supporting services	153,508		153,508	119,749
Total expenses	603,473		603,473	550,479
Change in Net Assets	13,010	5,071	18,081	73,125
Net Assets at Beginning of Year	464,512	5,260	469,772	396,647
Net Assets at End of Year	$ 477,522	$ 10,331	$ 487,853	$ 469,772

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, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

	2012	2011
Cash Flows from Operating Activities:		
Change in net assets	$ 18,081	$ 73,125
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	10,175	16,494
(Increase) decrease in:		
Pledges receivable	(34,258)	(106,334)
Government grants receivable	2,486	(15,619)
Rents and other receivable	287	(216)
Prepaid expenses	2,504	549
Security deposit	-	(1,425)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,016)	8,396
Net cash used by operating activities	(3,741)	(25,030)
Cash Flows from Investing Activities:		
Purchases of fixed assets	(1,906)	(7,035)
Net cash used by investing activities	(1,906)	(7,035)
Net Decrease in Cash and Cash Equivalents	(5,647)	(32,065)
Cash and Cash Equivalents at Beginning of Year	65,574	97,639
Cash and Cash Equivalents at End of Year	$ 59,927	$ 65,574

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, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

		SUPPORTING SERVICES			TOTAL EXPENSES	
	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL	2012	2011
Salaries	$ 194,696	$ 22,465	$ 32,449	$ 54,914	$ 249,610	$ 230,417
Payroll taxes	22,185	2,560	3,698	6,258	28,443	29,319
Employee benefits	13,234	1,527	2,206	3,733	16,967	8,187
Total salary and related expense	230,115	26,552	38,353	64,905	295,020	267,923
Client services	131,495			-	131,495	119,174
Professional fees	8,342	6,126	2,140	8,266	16,608	17,473
Insurance	14,179	2,914	2,554	5,468	19,647	13,443
Office rent and utilities	27,563	3,180	4,594	7,774	35,337	34,332
Building repair and maintenance	456	76	53	129	585	1,137
Office supplies and expenses	11,923	1,374	1,930	3,304	15,227	8,198
Telecommunications	8,090	933	1,405	2,338	10,428	10,900
Printing and Postage	6,913	798	1,153	1,951	8,864	15,672
Fundraising costs			31,470	31,470	31,470	23,745
Dues and subscriptions	1,750	132	308	440	2,190	1,426
Staff development	1,203	139	200	339	1,542	2,446
Uncollectible debt expense	-	24,885		24,885	24,885	18,116
Total expenses before depreciation	442,029	67,109	84,160	151,269	593,298	533,985
Depreciation	7,936	916	1,323	2,239	10,175	16,494
Total expenses	$ 449,965	$ 68,025	$ 85,483	$153,508	$ 603,473	$ 550,479

See notes to the financial statements.

Exhibit D

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

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

2. **Summary of Significant Accounting Policies:** (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 2012. No amounts for volunteer services have been recorded in IHN's financial statements for the year ended December 31, 2012 because the criteria for recognition in accordance with FASB ASC No. 958 have not been met.

(i) *Prior-Year Summarized Comparative Information*

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

3. **Pledges Receivable:**

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

Pledges as of December 31, 2012, are expected to be received as follows:

In less than one year	$ 143,763
In one to five years	227,972
Pledges and grants receivable	371,735
Less: allowance for uncollectible pledges	(17,859)
Less: Unamortized discount	(15,758)
Net pledges receivable	$ 338,118

4. **Property and Equipment:**

Property and equipment at December 31, 2012 consisted of the following:

Transportation equipment	$ 33,497
Leasehold improvements	29,122
Furniture and equipment	14,470
	77,089
Less accumulated depreciation	(60,316)
	$ 16,773

Continued

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 $3,795. One of the transitional housing leases is on a one-year term commencing on November 1, 2012. The rent for this space is $950 per month through October 31, 2013. 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 $56,240 for the year ended December 31, 2012.

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

2013	$ 45,850
2014	24,668
	$ 70,518

6. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

Purchase of furniture and equipment	$7,453

7. Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes:

Purchase of furniture and equipment	$10,331

8. Subsequent Events:

In preparing these financial statements, IHN has evaluated events and transactions for potential recognition or disclosure through June 3, 2013, the date the financial statements were available to be issued.

Concluded