

**HOMEFRONT, INC.**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

September 30, 2025 and 2024

**HOMEFRONT, INC.**

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September 30, 2025 and 2024

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
HomeFront, Inc.

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of HomeFront, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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.

#### ***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.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### ***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 GAAS 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 GAAS 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 Matters**

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Circular Letter 25-12-OMB (the "Circular"), are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2026, 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.

*Mercadieu, P.C.*

*Certified Public Accountants*

April 10, 2026

**HOMEFRONT, INC.**STATEMENTS OF FINANCIAL POSITION  
September 30, 2025 and 2024

	2025	2024
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,904,953	\$ 1,436,781
Accounts receivable, net of allowance for doubtful accounts of \$32,592 in 2025 and \$38,622 in 2024	381,779	503,215
Grants and contracts receivable	657,635	1,213,505
Pledges receivable, current portion	30,000	70,000
Inventory	333,163	330,969
Investments, undesignated	468,848	996,295
Prepaid expenses	132,652	79,176
Total Current Assets	<u>3,909,030</u>	<u>4,629,941</u>
Investments, board-designated	6,614,735	6,338,976
Investments, donor-restricted for endowment	5,364,134	4,825,116
Pledges receivable, net of current portion	-	30,000
Property and equipment, net	8,440,765	6,758,260
Right-of-use asset - operating lease	-	731,646
Total Assets	<u>\$ 24,328,664</u>	<u>\$ 23,313,939</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 751,553	\$ 692,600
Deferred revenue	162,606	117,355
Lease liability - operating lease	-	136,717
Forgivable mortgages, current maturities	60,000	60,000
Total Current Liabilities	<u>974,159</u>	<u>1,006,672</u>
Lease liability - operating lease, net of current portion	-	601,666
Forgivable mortgages, net of current maturities	900,000	60,000
Total Liabilities	<u>1,874,159</u>	<u>1,668,338</u>
Net Assets		
Without donor restrictions		
Board-designated	6,614,735	6,338,976
Undesignated	6,756,636	6,861,136
Total Net Assets without Donor Restrictions	<u>13,371,371</u>	<u>13,200,112</u>
With donor restrictions	9,083,134	8,445,489
Total Net Assets	<u>22,454,505</u>	<u>21,645,601</u>
Total Liabilities and Net Assets	<u>\$ 24,328,664</u>	<u>\$ 23,313,939</u>

## HOMEFRONT, INC.

### STATEMENTS OF ACTIVITIES

Years Ended September 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenues</b>						
Federal and state government grants	\$ 3,992,953	\$ -	\$ 3,992,953	\$ 4,032,668	\$ -	\$ 4,032,668
Corporate and foundation grants	3,066,351	-	3,066,351	1,726,470	-	1,726,470
Program fees	2,040,105	-	2,040,105	2,484,368	-	2,484,368
Contributions - financial assets	4,291,104	423,285	4,714,389	4,615,489	6,000	4,621,489
Contributions - nonfinancial assets	5,455,326	-	5,455,326	6,636,739	-	6,636,739
Investment return, net of fees	940,719	537,668	1,478,387	1,248,088	494,829	1,742,917
Thrift store sales	357,948	-	357,948	287,035	-	287,035
Maintenance fees - Homes by TLC, Inc.	153,000	-	153,000	137,833	-	137,833
Social services fees - Homes by TLC, Inc.	198,000	-	198,000	169,761	-	169,761
Property management fees - Homes by TLC, Inc.	130,900	-	130,900	117,250	-	117,250
Other income	244,117	-	244,117	317,432	-	317,432
Net assets released from restrictions	323,308	(323,308)	-	364,840	(364,840)	-
<b>Total support and revenues</b>	<b>21,193,831</b>	<b>637,645</b>	<b>21,831,476</b>	<b>22,137,973</b>	<b>135,989</b>	<b>22,273,962</b>
<b>Expenses</b>						
Program services	18,725,787	-	18,725,787	19,364,110	-	19,364,110
Fundraising	1,051,885	-	1,051,885	991,545	-	991,545
Management and general	1,244,900	-	1,244,900	1,274,017	-	1,274,017
<b>Total operating expenses</b>	<b>21,022,572</b>	<b>-</b>	<b>21,022,572</b>	<b>21,629,672</b>	<b>-</b>	<b>21,629,672</b>
<b>Change in net assets</b>	<b>171,259</b>	<b>637,645</b>	<b>808,904</b>	<b>508,301</b>	<b>135,989</b>	<b>644,290</b>
Net assets, beginning of year	13,200,112	8,445,489	21,645,601	12,691,811	8,309,500	21,001,311
<b>Net assets, end of year</b>	<b>\$ 13,371,371</b>	<b>\$ 9,083,134</b>	<b>\$ 22,454,505</b>	<b>\$ 13,200,112</b>	<b>\$ 8,445,489</b>	<b>\$ 21,645,601</b>

See notes to financial statements.

# HOMEFRONT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2025

	Program Services					Total	Fundraising	Management and General	Total
	Housing Services	Children	Personal Wellness	Right Tools	Basic Necessities				
<b>Personnel</b>									
Salaries and wages	\$ 3,799,669	\$ 968,956	\$ 177,567	\$ 224,868	\$ 797,785	\$ 5,968,845	\$ 536,151	\$ 898,851	\$ 7,403,847
Payroll taxes and benefits	1,245,093	276,844	51,657	65,616	233,039	1,872,249	155,867	105,282	2,133,398
Total Personnel	<u>5,044,762</u>	<u>1,245,800</u>	<u>229,224</u>	<u>290,484</u>	<u>1,030,824</u>	<u>7,841,094</u>	<u>692,018</u>	<u>1,004,133</u>	<u>9,537,245</u>
<b>Direct client assistance</b>									
Individual assistance	29,550	384	236	41,320	225,196	296,686	884	-	297,570
Shelter	1,690,626	-	-	-	-	1,690,626	-	-	1,690,626
Food	499,423	77,211	162	426	231,192	808,414	-	-	808,414
Client activities	289	22,280	-	-	-	22,569	-	-	22,569
Transportation	77,646	31,722	3,719	4,667	12,680	130,434	6,270	8,904	145,608
Partnership - client	20,000	-	4,100	-	-	24,100	-	-	24,100
Total Direct Client Assistance	<u>2,317,534</u>	<u>131,597</u>	<u>8,217</u>	<u>46,413</u>	<u>469,068</u>	<u>2,972,829</u>	<u>7,154</u>	<u>8,904</u>	<u>2,988,887</u>
Accounting and legal	54,310	7,360	1,398	1,778	6,268	71,114	4,185	6,292	81,591
Consultants and security guards	312,796	7,834	1,271	1,535	5,941	329,377	22,536	5,964	357,877
Rent and utilities	172,744	1,554	294	372	136,861	311,825	880	81,906	394,611
Technology	172,893	36,139	9,296	12,932	30,051	261,311	18,804	29,969	310,084
Insurance	108,470	27,779	7,978	3,762	12,101	160,090	5,990	11,054	177,134
Program, office and subscriptions	215,701	32,113	7,740	7,821	36,438	299,813	29,967	21,263	351,043
Repairs and maintenance	371,140	38,442	2,177	2,738	10,653	425,150	6,294	10,435	441,879
Postage and printing	9,904	1,144	1,105	436	1,608	14,197	146,335	1,401	161,933
Staff development and recruitment	76,647	26,119	3,095	3,574	17,544	126,979	19,678	13,084	159,741
Fundraising	-	-	-	-	-	-	69,399	476	69,875
Miscellaneous	59,208	10,053	2,364	2,853	10,305	84,783	28,645	49,684	163,112
In-kind	111,101	620,034	44,274	13,894	4,663,829	5,453,132	-	-	5,453,132
Total before depreciation	<u>9,027,210</u>	<u>2,185,968</u>	<u>318,433</u>	<u>388,592</u>	<u>6,431,491</u>	<u>18,351,694</u>	<u>1,051,885</u>	<u>1,244,565</u>	<u>20,648,144</u>
Depreciation	374,093	-	-	-	-	374,093	-	335	374,428
Total Expenses	<u>\$ 9,401,303</u>	<u>\$ 2,185,968</u>	<u>\$ 318,433</u>	<u>\$ 388,592</u>	<u>\$ 6,431,491</u>	<u>\$ 18,725,787</u>	<u>\$ 1,051,885</u>	<u>\$ 1,244,900</u>	<u>\$ 21,022,572</u>

See notes to financial statements.

# HOMEFRONT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2024

	Program Services					Total	Fundraising	Management and General	Total
	Housing Services	Children	Personal Wellness	Right Tools	Basic Necessities				
<b>Personnel</b>									
Salaries and wages	\$ 3,379,045	\$ 1,010,020	\$ 215,914	\$ 312,442	\$ 753,763	\$ 5,671,184	\$ 504,676	\$ 795,272	\$ 6,971,132
Payroll taxes and benefits	1,007,245	297,030	64,656	93,510	224,915	1,687,356	151,022	259,975	2,098,353
Stipends	-	1,500	-	-	15,234	16,734	-	-	16,734
<b>Total Personnel</b>	<b>4,386,290</b>	<b>1,308,550</b>	<b>280,570</b>	<b>405,952</b>	<b>993,912</b>	<b>7,375,274</b>	<b>655,698</b>	<b>1,055,247</b>	<b>9,086,219</b>
<b>Direct client assistance</b>									
Individual assistance	43,089	274	754	45,748	164,994	254,859	1,844	-	256,703
Shelter	1,546,847	-	-	-	-	1,546,847	-	-	1,546,847
Food	430,242	48,971	175	1,949	175,298	656,635	-	-	656,635
Client activities	-	22,181	-	-	-	22,181	-	-	22,181
Transportation	60,452	44,653	6,447	5,988	16,706	134,246	4,197	5,866	144,309
<b>Total Direct Client Assistance</b>	<b>2,080,630</b>	<b>116,079</b>	<b>7,376</b>	<b>53,685</b>	<b>356,998</b>	<b>2,614,768</b>	<b>6,041</b>	<b>5,866</b>	<b>2,626,675</b>
Sub-grantees	660,750	-	-	-	-	660,750	-	-	660,750
Accounting and legal	81,937	14,402	2,545	3,586	8,914	111,384	6,047	8,893	126,324
Consultants and security guards	281,587	5,192	8,828	1,429	3,600	300,636	16,337	3,371	320,344
Rent and utilities	132,004	25,189	382	553	134,223	292,351	873	85,394	378,618
Technology	146,197	46,369	10,761	16,707	27,930	247,964	17,882	25,881	291,727
Insurance	103,387	30,715	4,393	4,811	11,887	155,193	5,707	10,384	171,284
Program, office and subscriptions	188,478	39,279	11,183	8,708	28,147	275,795	24,635	15,300	315,730
Repairs and maintenance	357,854	59,967	2,648	3,870	12,838	437,177	7,310	10,220	454,707
Postage and printing	8,936	2,151	1,251	1,016	1,968	15,322	95,385	1,735	112,442
Staff development and recruitment	88,518	35,214	5,136	7,137	19,386	155,391	21,790	16,940	194,121
Fundraising	-	-	428	-	1,017	1,445	104,729	-	106,174
Miscellaneous	25,635	8,318	3,541	2,768	5,235	45,497	29,111	33,001	107,609
In-kind	118,142	527,604	57,500	7,285	5,595,239	6,305,770	-	-	6,305,770
<b>Total before depreciation</b>	<b>8,660,345</b>	<b>2,219,029</b>	<b>396,542</b>	<b>517,507</b>	<b>7,201,294</b>	<b>18,994,717</b>	<b>991,545</b>	<b>1,272,232</b>	<b>21,258,494</b>
Depreciation	369,393	-	-	-	-	369,393	-	1,785	371,178
<b>Total Expenses</b>	<b>\$ 9,029,738</b>	<b>\$ 2,219,029</b>	<b>\$ 396,542</b>	<b>\$ 517,507</b>	<b>\$ 7,201,294</b>	<b>\$ 19,364,110</b>	<b>\$ 991,545</b>	<b>\$ 1,274,017</b>	<b>\$ 21,629,672</b>

**HOMEFRONT, INC.**STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 808,904	\$ 644,290
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	374,428	371,178
Donated inventory	(2,194)	(330,969)
Forgiven mortgage principal	(60,000)	(60,000)
Change in allowance for doubtful accounts	6,030	12,282
Unrealized/realized (gain) loss on investments	(1,255,180)	(1,588,666)
Amortization of right-of-use asset - operating lease	731,646	130,374
Increase (decrease) in cash from		
Accounts receivable	115,406	118,875
Accounts receivable - Homes by TLC	-	98,300
Grants and contracts receivable	555,870	(169,433)
Pledges receivable	70,000	(13,332)
Prepaid expenses	(53,476)	2,970
Accounts payable and accrued expenses	58,953	(81,013)
Lease liability - operating lease	(738,383)	(127,005)
Deferred revenue	45,251	27,489
Net cash from operating activities	<u>657,255</u>	<u>(964,660)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,056,933)	(125,952)
Purchase of investments, net of sales	967,850	968,939
Net cash from investing activities	<u>(1,089,083)</u>	<u>842,987</u>
Cash Flows from Financing Activities		
Proceeds from forgivable mortgages	900,000	-
Net cash from financing activities	<u>900,000</u>	<u>-</u>
Net change in cash and cash equivalents	468,172	(121,673)
Cash and cash equivalents, beginning of year	1,436,781	1,558,454
Cash and cash equivalents, end of year	<u>\$ 1,904,953</u>	<u>\$ 1,436,781</u>
Supplemental Disclosure of Cash Flow Information		
Contributions of nonfinancial assets	<u>\$ 5,455,326</u>	<u>\$ 6,636,739</u>
Noncash financing activities		
Forgiven mortgage principal	<u>\$ 60,000</u>	<u>\$ 60,000</u>

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### A. NATURE OF ORGANIZATION

HomeFront (“HomeFront” or “the Organization”)’s mission is to end homelessness in Central New Jersey by harnessing the caring, resources and expertise of the community. The Organization lessens the immediate pain of homelessness and helps families become self-sufficient. HomeFront works to give its clients the skills and opportunities to ensure adequate incomes and works to increase the availability of adequate, affordable housing. HomeFront helps homeless families advocate for themselves individually and collectively.

For 35 years, HomeFront has worked tirelessly to break the cycle of poverty in Central New Jersey, serving tens of thousands of local families. Originally founded by volunteers who provided meals to families in welfare motels, the Organization has evolved into a nationally recognized provider of holistic, wraparound services for those impacted by poverty and homelessness. On any given night, HomeFront provides shelter, housing support, or permanent service-enriched housing for over 475 individuals, half of whom are children.

HomeFront organizes its work around five core beliefs 1) that every family deserves safe, secure housing; 2) that with the right tools, all families can succeed; 3) that families need basic necessities to live with dignity; 4) that personal wellness – whether physical, mental, or emotional – is critical to ensuring thriving families; and 5) that children nurtured with love and support will grow on a path to realizing life’s possibilities. The Organization addresses not only immediate needs but also the underlying causes of homelessness. Rather than offering a one-size-fits-all solution, HomeFront works to ensure that every family receives a tailored approach that tackles the multifaceted challenges of poverty.

HomeFront’s extensive programs include intensive case management, homelessness prevention, and access to free groceries, diapers, period products, clothing, and household goods through its FreeStore. The Organization also provides support through health and wellness education, life skills programming, high school equivalency preparation, and job placement and readiness training. In addition, specialized assistance for children features a fully licensed early childhood development center, an eight-week summer camp, afterschool tutoring, and a range of special events and activities.

Central to its mission is the state-of-the-art HomeFront Family Campus, a decommissioned Naval base transformed into a center of healing and hope. Within the campus, the Family Preservation Center serves as an emergency shelter for 38 families, integrating vital support services designed to empower them toward self-sufficiency. Last year, HomeFront provided shelter, food, and life-changing assistance to 30,321 unique individuals, helping them overcome crises with dignity and hope.

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

The Organization considers cash equivalents to be all highly liquid debt instruments with an initial maturity of ninety days or less. Cash and cash equivalents consist mainly of cash and money market funds.

##### **Accounts and Grants Receivable**

Grants receivable consists mainly of grant funds receivable from the various federal and state government agencies. Accounts receivable consists primarily of program fees. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At September 30, 2025 and 2024, the allowance for doubtful accounts was \$32,592 and \$38,622, respectively.

##### **Investments**

Investments are stated at fair value in the statements of financial position. All interest, dividends, realized gains and losses, and unrealized gains and losses net of investment fees are presented as increases or decreases in net assets without donor restrictions unless otherwise restricted by the donor.

##### **Inventory**

Inventory consists primarily of donated goods remaining at the end of the fiscal year. Donated materials are recorded as contributions and inventory at fair value in the period received.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. The Organization's policy is to capitalize property and equipment purchases in excess of \$5,000 except for donated items, which are recorded at the fair value at the date of the donation. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as costs are incurred.

**Valuation of Long-Lived Assets**

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no adjustment was required for the periods presented in these financial statements.

**Public Support and Revenue Recognition**

The Organization recognizes contributions as revenue when they are received or unconditionally pledged. Conditional contributions and grants are not recognized until conditions are substantially met or explicitly waived by the donor or grantor. Contribution revenues are recorded as support with or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as revenues without donor restrictions in the statements of activities and changes in net assets.

The Organization recognizes government grant revenues to the extent that expenses have been incurred for the purpose specified by the grant. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance. The Organization's policy is to record the proceeds from government grants as conditional grants through refundable advances. Once the conditions of release have been substantially met or explicitly waived, the conditions will have been satisfied, and the Organization will recognize the grant revenue. Amounts that are spent in accordance with contract requirements, but are not yet received, are recorded as grants and contracts receivable in the statements of financial position.

Revenues without donor restriction are obtained from various fundraising projects, fees and investment income. These revenues are not restricted in their use and are used to offset program, management and general, and fundraising expenses that are not funded by contract budgets.

The Organization's program fees are generated primarily from contracts with local government agencies to provide emergency shelter to low-income families at its Family Preservation Center ("FPC"). The contracts contain a set fee per night and payment terms are stated within the contracts. In some cases, government regulations dictate that the families will be responsible for a family contribution for their stay. The Organization satisfies its performance obligation over time as shelter and related services are provided. The Organization bills the agencies and families for bed nights on a monthly basis, and payment is due on demand. The Organization generally does not provide refunds for services provided.

Thrift store revenue is recognized as revenue as goods are sold and transferred to customers.

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Public Support and Revenue Recognition (Continued)

Revenue from Homes by TLC consists of fees for maintenance services, social services and property management services provided by HomeFront to Homes by TLC. Revenues are recognized as services are provided.

The Organization's revenue disaggregated according to the timing of when revenue is recognized is as follows:

	Year Ended September 30,	
	2025	2024
Revenue recognized at a point in time (ASC 606)		
Homes by TLC revenue	\$ 481,900	\$ 424,844
Program fees	2,040,105	2,484,368
Other income	244,117	317,432
Thrift store revenue	357,948	287,035
Total revenue recognized at a point in time (ASC 606)	<u>3,124,070</u>	<u>3,513,679</u>
Grants, contributions and other revenue not subject to ASC 606		
Contributions - financial assets	4,714,389	4,621,489
Grants - government, corporate and foundation	7,059,304	5,759,138
Investment return, net of fees	1,478,387	1,742,917
Contributions - nonfinancial assets	5,455,326	6,636,739
Total grants, contributions and other revenue not subject to ASC 606	<u>18,707,406</u>	<u>18,760,283</u>
Total revenue	<u>\$ 21,831,476</u>	<u>\$ 22,273,962</u>

##### Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recorded as contributions and expenses at fair value as of the date of donation. 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 which would be typically purchased if not provided by donation.

##### Income Taxes

HomeFront is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended September 30, 2025 and 2024.

U.S. GAAP requires management to evaluate tax positions taken by HomeFront and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated HomeFront's tax positions and concluded that HomeFront had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of September 30, 2025 and 2024, or in the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Organization determines if an arrangement is a lease at the inception date of the lease.

Leases with a term of twelve months or less are considered short-term leases and are accounted for as an expense in the statement of activities as rental payments are incurred. During the year ended September 30, 2025, the Organization executed a new lease agreement for its office space. Upon execution of this lease, it was determined that all of the Organization's leases met the definition of short-term leases.

Operating lease assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization has elected to use the practical expedient and elected to use the risk-free rate as of the date of inception of the lease.

The Organization's lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

**Functional Allocation of Expenses**

Certain operating expenses have been allocated to program services, management and general, or fundraising based on the reasonable benefit that the specific functional area derived from these expenses. There are certain other categories of expense that are attributable to more than one function and these expenses are allocated accordingly. Expenses allocated on the basis of time and effort include salaries and wages, and payroll taxes and fringe benefits. Expenses allocated based on estimated square footage include space costs and rentals, insurance and equipment. Expenses allocated based on the department that incurred the expense include contract labor and materials, professional fees, travel, office and supplies, interest and depreciation.

**Reclassifications**

Certain prior year amounts have been reclassified to conform with the current year's presentation.

**Subsequent Events**

Management has evaluated subsequent events for potential recognition and disclosure through April 10, 2026, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### C. AVAILABILITY AND LIQUIDITY

The following table represents the Organization's financial assets at September 30, 2025 and 2024, reduced by amounts not available for general use within one year of the statements of financial position date.

	September 30,	
	2025	2024
Cash and cash equivalents	\$ 1,904,953	\$ 1,436,781
Accounts receivable, net	381,779	503,215
Grants and contracts receivable	657,635	1,213,505
Pledges receivable, current	30,000	70,000
Investments, undesignated	468,848	996,295
Total financial assets	<u>3,443,215</u>	<u>4,219,796</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(421,935)</u>	<u>(89,651)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,021,280</u>	<u>\$ 4,130,145</u>

The Organization has goals to maintain financial assets sufficient to meet operating expenses as they become due throughout the year. As described in Note K, the Organization has Board-designated funds to ensure the stability of its mission, programs, employment, infrastructure and ongoing operations. Board-designated funds could be made available through Board resolution, if necessary. Additionally, the Organization has a \$250,000 line of credit available for working capital.

#### D. INVESTMENTS

Investments as of September 30, 2025 and 2024, are as follows:

	September 30, 2025		
	Fair Value	Cost	Unrealized Gain
Cash and cash equivalents	\$ 818,847	\$ 818,847	\$ -
Fixed income	2,055,847	2,005,140	50,707
Equity securities	3,891,512	3,427,908	463,604
Princeton Area Community Foundation pooled funds	5,681,511	2,865,679	2,815,832
Balance, end of year	<u>\$ 12,447,717</u>	<u>\$ 9,117,574</u>	<u>\$ 3,330,143</u>
	September 30, 2024		
	Fair Value	Cost	Unrealized Gain
Cash and cash equivalents	\$ 1,192,631	\$ 1,192,631	\$ -
Fixed income	1,709,794	1,685,840	23,954
Equity securities	1,433,595	1,000,000	433,595
Princeton Area Community Foundation pooled funds	7,824,367	5,739,675	2,084,692
Balance, end of year	<u>\$ 12,160,387</u>	<u>\$ 9,618,146</u>	<u>\$ 2,542,241</u>

**E. FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, HomeFront uses various methods including market, income and cost approaches. Based on these approaches, HomeFront often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. HomeFront utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended September 30, 2025 and 2024, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

*Pooled Investments* - Investments are held in pooled funds invested with the Princeton Area Community Foundation ("PACF") and consist of fixed income, equities, real assets and funds of funds. As a participant in the pooled funds, HomeFront's ownership interest is based on the allocation of the fair value of HomeFront's units to the total fair value of the investment pool. The pool is revalued periodically and income and gains or losses are allocated to the participants based on their units. The change in fair value of pooled funds invested with PACF from earnings is included in investment income as net assets without donor restrictions unless the income is restricted by donor or law.

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### E. FAIR VALUE MEASUREMENT (CONTINUED)

*Equities* - Valued at the closing price reported in the active market on which the individual securities are traded.

*Fixed income* - Valued based on closing prices and bid-ask quotations.

Assets measured at fair value on a recurring basis as of September 30, 2025 and 2024, are summarized as follows:

	September 30, 2025			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 818,847	\$ -	\$ -	\$ 818,847
Fixed income	-	2,055,847	-	2,055,847
Equity securities	3,891,512	-	-	3,891,512
Princeton Area Community Foundation pooled funds	-	-	5,681,511	5,681,511
Total investments	<u>\$ 4,710,359</u>	<u>\$ 2,055,847</u>	<u>\$ 5,681,511</u>	<u>\$ 12,447,717</u>

  

	September 30, 2024			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,192,631	\$ -	\$ -	\$ 1,192,631
Fixed income	-	1,709,794	-	1,709,794
Equity securities	1,433,595	-	-	1,433,595
Princeton Area Community Foundation pooled funds	-	-	7,824,367	7,824,367
Total investments	<u>\$ 2,626,226</u>	<u>\$ 1,709,794</u>	<u>\$ 7,824,367</u>	<u>\$ 12,160,387</u>

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets):

	Year Ended September 30,	
	2025	2024
Balance, beginning of year	\$ 7,824,367	\$ 7,707,184
Contributions	1,350	276,362
Investment return, net of fees	731,140	1,211,180
Amount appropriated for expenditures	(2,875,346)	(1,370,359)
Balance, end of year	<u>\$ 5,681,511</u>	<u>\$ 7,824,367</u>

#### F. ENDOWMENTS

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment funds, are classified and reported based on the existence or absence of any restrictions. The HomeFront Endowment Fund was established by the Board of Trustees in April 2017 to support the mission of the Organization. The endowment consists of one fund with the Princeton Area Community Foundation restricted by donors.

## F. ENDOWMENTS (CONTINUED)

### Interpretations of Relevant Law

The Organization's Board of Trustees has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of September 30, 2025 and 2024, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purpose of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

### Underwater Endowments

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the State of New Jersey UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods, as well as funds designated by the Board of Trustees.

### Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has an investment objective to provide sufficient liquidity to meet operating, distribution and spending requirements. The Organization will spend no more than 4% of the endowment fund's market value each year. The spending policy amount is calculated based on the average market value of the endowment fund over the previous 12 quarters ending 9 months prior to the beginning of the fiscal year. Amounts appropriated for expenditures are utilized for Homefront's operations.

**HOMEFRONT, INC.**

## NOTES TO FINANCIAL STATEMENTS

**F. ENDOWMENTS (CONTINUED)**

Changes in endowment net assets for the year ended September 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 311,977	\$ 4,825,116	\$ 5,137,093
Endowment contributions	-	1,350	1,350
Investment return, net	-	724,868	724,868
Transfer to HomeFront Fund	(181,800)	-	(181,800)
Amounts appropriated for expenditure	187,200	(187,200)	-
Endowment net assets, end of year	<u>\$ 317,377</u>	<u>\$ 5,364,134</u>	<u>\$ 5,681,511</u>

Changes in endowment net assets for the year ended September 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 305,477	\$ 4,324,287	\$ 4,629,764
Endowment contributions	-	6,000	6,000
Investment return, net	-	676,629	676,629
Transfer to HomeFront Fund	(175,300)	-	(175,300)
Amounts appropriated for expenditure	181,800	(181,800)	-
Endowment net assets, end of year	<u>\$ 311,977</u>	<u>\$ 4,825,116</u>	<u>\$ 5,137,093</u>

**G. PROPERTY AND EQUIPMENT**

In a quitclaim deed, dated September 30, 2013, between the Organization and the federal government, the Organization agreed to renovate and maintain the former Navy Base located in Ewing, New Jersey as its new HomeFront Family Campus homeless shelter. If the Organization ceases to use the property as a homeless shelter, the property will revert back to the federal government. The initial capital costs for this project have been classified as net assets with donor restrictions. Net assets are released from the restriction annually in amounts equal to the depreciation of those initial capitalized costs associated with the property, which was \$233,657 for the years ended September 30, 2025 and 2024.

Property and equipment are comprised of the following as of September 30, 2025 and 2024:

	September 30,	
	2025	2024
Building and building improvements - HomeFront Family Campus	\$ 6,158,008	\$ 6,132,107
Leasehold improvements	2,447,762	2,443,150
Vehicles	829,193	829,193
Office furniture and equipment	1,185,430	1,047,544
Construction in progress	1,888,534	-
Subtotal	<u>12,508,927</u>	<u>10,451,994</u>
Less: accumulated depreciation	4,068,162	3,693,734
Property and equipment, net	<u>\$ 8,440,765</u>	<u>\$ 6,758,260</u>

## **HOMEFRONT, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **H. LINE OF CREDIT**

The Organization has a \$250,000 line of credit with Bank of America available through May 31, 2026. The credit line calls for monthly payments of interest only at the bank's prime rate plus 1.25%. There were no outstanding borrowings at September 30, 2025 and 2024.

#### **I. FORGIVABLE MORTGAGES PAYABLE**

The Organization has executed two contractual agreements in the form of mortgage notes with the New Jersey Department of Community Affairs ("DCA") for use in constructing the FPC. Funds in the original amount of \$600,000 were recognized as a loan payable. The agreements include a provision for annual forgiveness of debt at the rate of 10% per year, provided the FPC is still being used for such purpose. Debt forgiveness occurs on the anniversary date of the issuance of the certificate of occupancy, and for nine years thereafter. The FPC became operational in August 2015 with a certificate of occupancy issued October 2015; therefore, loan forgiveness began during the year ended September 30, 2017. The unforgiven balance on these notes at September 30, 2025 and 2024, was \$60,000 and \$120,000, respectively. The amount outstanding on the note of \$60,000 is scheduled to mature during the year ended September 30, 2026.

In December 2024, the Organization executed a contractual agreement in the form of a mortgage note with DCA for use in renovating a property for temporary emergency housing. The agreement includes a provision for annual forgiveness of debt at the rate of 10% per year, provided the property is maintained for its stated use for the duration of the term of the agreement. Debt forgiveness will occur on the anniversary date of the issuance of the certificate of occupancy, and for nine years thereafter. At September 30, 2025, renovations of the property were ongoing, therefore no certificate of occupancy has been issued and the future maturity dates of the note cannot be determined. The unforgiven balance on this note at September 30, 2025 was \$900,000.

#### **J. RETIREMENT PLAN**

The Organization maintains a retirement plan under Internal Revenue Code Section 401(k) covering all employees meeting certain eligibility requirements. The plan is funded by employee contributions with matching funds contributed by the Organization up to a maximum of 3% of participating employees' eligible compensation. Contributions made by the Organization during the years ended September 30, 2025 and 2024, were \$168,919 and \$163,043, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

#### **K. NET ASSETS**

##### **Without Donor Restrictions**

The Organization has chosen to place the following limitations on net assets without donor restrictions:

- Operating reserve – established to ensure the stability of the mission, programs, employment and ongoing operations of the Organization. Withdrawal from this fund requires approval from the Organization's Board of Trustees.
- HomeFront Impact Fund – established in 2021 with an initial balance of \$2,500,000 to invest in infrastructure, programs and services that would otherwise be unsupported and will have demonstrable impact toward achieving the Organization's mission. Withdrawal from this fund requires approval from the Organization's Board of Trustees.

**HOMEFRONT, INC.**

## NOTES TO FINANCIAL STATEMENTS

**K. NET ASSETS (CONTINUED)**

Board-designated net assets as of September 30, 2025 and 2024, are as follows:

	September 30,	
	2025	2024
Operating reserve	\$ 4,296,155	\$ 3,923,000
HomeFront Impact Fund	2,318,580	2,415,976
Total board-designated net assets	<u>\$ 6,614,735</u>	<u>\$ 6,338,976</u>

**With Donor Restrictions**

Net assets with donor restrictions were available for the following purposes:

	September 30,	
	2025	2024
HomeFront Family Campus	\$ 3,297,065	\$ 3,530,722
Endowment fund assets		
Corpus	4,094,440	4,093,090
Accumulated earnings	1,269,694	732,026
Contributions related to programs	421,935	89,651
Total net assets with donor restrictions	<u>\$ 9,083,134</u>	<u>\$ 8,445,489</u>

Net assets were released from donor restrictions as follows:

	Year Ended September 30,	
	2025	2024
HomeFront Family Campus	\$ 233,657	\$ 233,657
Contributions related to programs	89,651	131,183
Total net assets released from donor restrictions	<u>\$ 323,308</u>	<u>\$ 364,840</u>

Investment income derived from the endowment is classified as net assets with donor restrictions until expended or appropriated in accordance with the Organization's endowment policy.

**L. CONTRIBUTED NONFINANCIAL ASSETS**

Contributed nonfinancial assets received during the years ended September 30, 2025 and 2024, consisted of the following:

	Year Ended September 30,	
	2025	2024
Meals, food, diapers, personal care products, clothing and toys distributed to clients	\$ 4,622,347	\$ 5,863,658
Vehicles, computers, household furnishings and other supplies distributed to clients	368,263	388,551
Professional services and postage	41,550	53,850
Rent below fair market value	423,166	330,680
Total contributed nonfinancial assets	<u>\$ 5,455,326</u>	<u>\$ 6,636,739</u>

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

#### L. CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

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

Contributed Nonfinancial Asset	Valuation Techniques and Inputs
Meals, food, diapers, personal care products, clothing and toys distributed to clients	Estimated based on estimates of retail value for similar products
Vehicles, computers, household furnishings and other supplied distributed to clients	Estimated based on estimates of retail value for similar products
Professional services and postage	Estimated based on current rates paid by the Organization for similar services
Rent below fair market value	Estimated based on fair market value of rent for similar properties in the same geographic area

The Organization's mission to end homelessness in Central New Jersey is supported through securing pro-bono or in-kind goods and services for clients. The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value. Additionally, the office and warehouse lease was negotiated at less than fair market value. The difference between the fair market rental and the rent paid is included in contributed nonfinancial assets in the statements of activities and changes in net assets.

All gifts-in-kind received by the Organization for the years ended September 30, 2025 and 2024, were without donor restrictions and were available to be used by the Organization as determined by management.

The Organization also received donated services from volunteers, which are not reflected in the accompanying financial statements because the criteria for recognition under accounting principles generally accepted in the United States of America has not been satisfied. Volunteers worked approximately 43,212 and 50,600 hours in the years ended September 30, 2025 and 2024, respectively. If such volunteer hours were valued, they would approximate \$1,505,000 and \$1,695,000 for the years ended September 30, 2025 and 2024, respectively, based on current rates paid by the Organization for similar services.

The administrative effort needed to coordinate the logistics of such programs must be considered when attempting to understand the functioning of the Organization.

#### M. LEASES

The Organization had one operating lease for its administrative office expiring in September 2025. During the year ended September 30, 2025, the Organization executed a new lease agreement for its office space. Upon execution of this lease, it was determined that the new lease met the criteria for being classified as a short-term lease.

Short-term lease costs for the years ended September 30, 2025 and 2024 were \$209,025 and \$100,600, respectively.

## HOMEFRONT, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### M. LEASES (CONTINUED)

The components of lease costs were as follows for the year ended September 30, 2024:

	Statement of Activities Classification	
Operating leases	Rent to Homes by TLC, Inc.	\$ 160,485

The weighted average remaining lease term and weighted average discount rate were as follows as of September 30, 2024:

Weighted average remaining lease term (in years)	
Operating leases	4.92
Weighted average discount rate	
Operating leases	3.79%

Supplemental cash flow information related to leases was as follows for the year ended September 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:	
Cash flows from operating leases	\$ 127,005

#### N. RELATED-PARTY TRANSACTIONS

Homes by TLC, Inc. and HomeFront Inc. are separate entities that share management, staff and limited expenses to gain operating efficiencies.

Homes by TLC, Inc. pays fees to HomeFront, Inc. for the services performed by HomeFront, Inc. employees. These services are provided based on agreements approved by both organizations on an annual basis. For the years ended September 30, 2025 and 2024, these amounts totaled approximately \$481,900 and \$424,844, respectively.

Homes by TLC, Inc. rents warehouse and office space to HomeFront, Inc. under an operating lease, which is deemed to be a short-term lease (see Note M) and expires on September 30, 2026.

Homes by TLC, Inc. also rents various residential properties to HomeFront, Inc. under operating leases which expired in September 2025. These leases also meet the criteria to be classified as a short-term lease and have been renewed until September 30, 2026.

#### O. CONCENTRATIONS OF RISKS AND UNCERTAINTIES

The Organization maintains cash balances which may, at times, exceed federally insured limits. The Organization historically has not experienced any credit related losses. Management believes that it is not subject to any significant credit risk on its cash accounts.

During the year ended September 30, 2025, the Organization received approximately 36% of its total revenue from contribution income, 25% from in-kind donations, and 18% from government grants. During the year ended September 30, 2024, the Organization received approximately 21% of its total revenue from contribution income, 13% from program fees, 30% from in-kind donations, and 17% from government grants.

## **HOMEFRONT, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **O. CONCENTRATIONS OF RISKS AND UNCERTAINTIES (CONTINUED)**

The Organization is subject to audits by certain federal and state departments, 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.

#### **P. LITIGATION**

From time to time, the Organization is subject to litigation that arises in the ordinary course of conducting activities. In accordance with U.S. GAAP, HomeFront recognizes such contingencies in the financial statements when it is both probable that a material liability has been incurred and the amount can be reasonably estimated. In management's opinion, the resolution of litigation matters would not have a material effect on the financial position of the Organization at September 30, 2025 and 2024.

## **SUPPLEMENTARY INFORMATION**

**HOMEFRONT, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant Period	Current Year Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development Passed through NJ Department of Community Affairs: Homeless Prevention & Rapid Re-Housing 2023	14.231	2023-02156-0433-06	05/01/23 - 06/30/25	\$ 305,171	\$ -
HOME-ARP Non-Congregate Shelter 2025	14.239	2025-02141-0421-00	04/04/25 - 10/05/26	900,000	-
Passed through City of Trenton Emergency Solutions Grant (ESG-CV)	14.231	E-23-MC-34-0007 P5-02968	07/01/24 - 06/30/25	19,419	-
Emergency Solutions Grant (ESG-CV)	14.231	E-23-MC-34-0007 P5-02965	07/01/24 - 06/30/25	20,000	-
Subtotal				<u>39,419</u>	<u>-</u>
Mercer County Leasing 2011	14.267	NJ0368L2F142311	08/01/24 - 07/31/25	180,536	-
Mercer County Leasing 2011	14.267	NJ0368L2F142412	08/01/25 - 07/31/26	37,139	-
Subtotal				<u>217,675</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>1,462,265</u>	<u>-</u>
U.S. Department of Health and Human Services Passed through NJ Department of Community Affairs NJ FamilyCare Housing Support Provider Readiness 2025	93.778	2025-05277-0304-01	3/01/25-2/28/26	31,318	-
<i>477 Cluster</i> Passed through NJ Department of Community Affairs Comprehensive Eviction Defense & Diversion	93.569	2024-05349-0574-05	2/01/24-7/31/25	30,000	-
Total U.S. Department of Health and Human Services				<u>61,318</u>	<u>-</u>
U.S. Department of Labor <i>WIOA Cluster</i> Passed through NJ Department of Labor and Workforce Development and County of Mercer					
Mercer County - Workfirst/CWEP Program	17.258	PY2024-365	07/01/24 - 6/30/26	67,129	-
Mercer County - Workfirst/CWEP Program	17.258	PY2025-846	07/01/25 - 9/30/25	22,500	-
Mercer County - Workfirst/OCCU Program	17.258	PY2024-366	10/01/23 - 6/30/25	116,656	-
Mercer County - Workfirst/OCCU Program	17.258	PY2025-845	07/01/24 - 6/30/25	37,500	-
Subtotal WIOA Cluster				<u>243,785</u>	<u>-</u>
Total U.S. Department of Labor				<u>243,785</u>	<u>-</u>

**HOMEFRONT, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Grant Period	Current Year Expenditures	Passed Through to Subrecipients
U.S. Department of Education					
Passed through NJ Department of Education					
Monmouth-Ocean Educational Services Commission	84.196	N/A	07/01/24 - 12/31/24	27,415	-
Monmouth-Ocean Educational Services Commission	84.196	N/A	01/01/25 - 6/30/25	48,615	-
Subtotal				<u>76,030</u>	<u>-</u>
Total U.S. Department of Education				<u>76,030</u>	<u>-</u>
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board - Phase 40	97.024	N/A	11/01/21 - 12/31/24	16,500	-
Total U.S. Department of Homeland Security				<u>16,500</u>	<u>-</u>
U.S. Department of Agriculture					
Passed through NJ Department of Community Affairs, Division of Food and Nutrition					
Child & Adult Food Care Program	10.558	N/A	10/01/24 - 09/30/25	62,049	-
Total U.S. Department of Agriculture				<u>62,049</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 1,921,947</u>	<u>\$ -</u>

**HOMEFRONT, INC.**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**Year Ended September 30, 2025**

State Grantor Department and Program Title/Name	State Grant Award or Account Number	Grant Award Period	Current Year Expenditures	Total Grant Expenditures to Date
<b>New Jersey Department of Children and Families</b>				
Division of Child Protection and Permanency				
Support Service, Homeless, Children in Shelter	25C00174	07/01/24 - 06/30/25	\$ 9,000	\$ 12,117
Support Service, Homeless, Children in Shelter	26C00174	07/01/25 - 06/30/26	9,352	9,352
Family Support Services	N/A	N/A	3,117	3,117
Subtotal			<u>21,469</u>	<u>24,586</u>
Family and Community Partnerships				
Support Services, Family, Diaper Access	25CF0185	07/01/24 - 06/30/25	250,000	250,000
Subtotal			<u>250,000</u>	<u>250,000</u>
<b>Total New Jersey Department of Children and Families</b>			<u>271,469</u>	<u>274,586</u>
<b>New Jersey Department of Health and Senior Services</b>				
Division of HIV/AIDS Services				
Passed through Henry J. Austin Health Center, Inc.				
HIV/AIDS Housing	DHST25HIV017	07/01/24 - 06/30/25	113,055	152,458
HIV/AIDS Housing	DHST26HIV008	07/01/25 - 06/30/26	40,057	40,057
Subtotal			<u>153,112</u>	<u>192,515</u>
Passed through Mercer County Department of Human Services				
Homelessness Prevention	RES #2023-596	01/01/24 - 12/31/25	83,197	130,782
Subtotal			<u>83,197</u>	<u>130,782</u>
<b>Total New Jersey Department of Health and Senior Services</b>			<u>236,309</u>	<u>323,297</u>
<b>New Jersey Department of Human Services</b>				
Division of Mental Health & Addiction Services				
Passed through Capital Health System:				
For My Baby and Me	DFHS181O5005(2)	07/01/24 - 6/30/25	551,135	734,232
For My Baby and Me	DFHS181O5005(2)	07/01/25 - 6/30/26	174,943	174,943
Subtotal			<u>726,078</u>	<u>909,175</u>
Passed through County of Mercer				
Mercer County - LCC / CSBG	RESOL2023-698	01/01/24 - 12/31/25	106,747	206,747
Subtotal			<u>106,747</u>	<u>206,747</u>
<b>Total New Jersey Department of Human Services</b>			<u>832,825</u>	<u>1,115,922</u>

See independent auditors' report and notes to the schedules of expenditures of federal awards and state financial assistance.

**HOMEFRONT, INC.**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)**  
**Year Ended September 30, 2025**

State Grantor Department and Program Title/Name	State Grant Award or Account Number	Grant Award Period	Current Year Expenditures	Total Grant Expenditures to Date
New Jersey Department of Community Affairs				
Homelessness Diversion Pilot	2024-05224-0127-04	02/01/24 - 06/30/25	182,698	230,000
Prevention of Homelessness 2019	2019-02150-0592-10	08/01/19 - 12/31/24	244,082	852,234
Shelter Support - 2024	2024-02149-0541-02	12/09/15 - 12/09/25	58,173	58,173
Shelter Support - 2014	2014-02149-0129-00	12/09/15 - 12/09/25	30,000	270,000
Shelter Support - 2015	2015-02149-0129-00	07/01/23 - 06/30/25	30,000	270,000
HomeFront FY24 Grant	2024-05339-0210-00	07/01/23 - 06/30/25	250,000	500,000
HomeFront FY25 Grant	2025-05339-0011-00	07/01/24 - 12/31/25	250,000	250,000
Document Access and Support for Housing (DASH)	2023-05351-0893-04	02/01/24 - 01/31/25	96,226	96,226
Comprehensive Eviction Defense & Diversion 2024	2024-05349-0574-05	08/01/23 - 12/31/24	467,047	721,000
NJ FamilyCare Housing Support Provider Readiness 2025	2025-05277-0304-02	02/01/24 - 07/31/25	28,679	28,679
Subtotal			1,636,905	3,276,312
Total New Jersey Department of Community Affairs			1,636,905	3,276,312
Total Expenditures of State Financial Assistance			\$ 2,977,508	\$ 4,990,117

## HOMEFRONT, INC.

### NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE Year Ended September 30, 2025

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#### *Note 1. Basis of Presentation*

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal award and state financial activity of the Organization under programs of the federal and state government for the year ended September 30, 2025. The information in these Schedules 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* ("Uniform Guidance") and State of New Jersey, Circular Letter 25-12-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Because the Schedules present only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, change in net assets or cash flows of the Organization.

#### *Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State of New Jersey, Department of Community Affairs Cost Reimbursement Manual, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### *Note 3. Indirect Cost Rate*

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### *Note 4. Loans Outstanding*

The Organization had the following loan balance outstanding as of September 30, 2025. This program is also included in the federal expenditures presented in the Schedule as follows:

<u>Cluster/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
HOME Investment Partnership Program loan balance	14.239	<u>\$ 900,000</u>

**HOMEFRONT, INC.**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE (CONTINUED)**  
Year Ended September 30, 2025

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*Note 5. Reconciliation of Federal and State Government Grants to Schedules*

Federal and state government grants revenue per audit:	\$ 3,992,953
Add: Amounts reported as forgivable mortgages	900,000
Add: Amounts reported as program fees	6,502
Adjusted government grants revenue per audit	<u>4,899,455</u>
Expenses per Schedules	
Schedule of Federal Awards	\$ 1,921,947
Schedule of State Financial Assistance	2,977,508
Total expenses per Schedules	<u>4,899,455</u>
Variance	<u>\$ -</u>

**HOMEFRONT, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended September 30, 2025

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP **Unmodified**

Internal control over financial reporting

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards and State Financial Assistance**

Internal control over major programs

- Material weaknesses identified?  Yes  No
- Significant deficiencies identified?  Yes  None Reported

Type of auditors' report issued on compliance for major federal and state programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and the Circular

Yes  No

Identification of major programs

State Grant Award or Account Number/  
Federal Assistance  
Listing Number  
14.239

Name of Federal and State Programs  
U.S. Department of Housing and Urban Development  
Passed through NJ Department of Community Affairs  
HOME-ARP Non-Congregate Shelter 2025

DFHS181O5005(2)

New Jersey Department of Human Services  
Division of Mental Health & Addiction Services  
Passed through Capital Health System  
For My Baby and Me

Dollar threshold used to distinguish between type A and type B programs \$1,000,000

Auditee qualified as low-risk auditee?  Yes  No

**HOMEFRONT, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
Year Ended September 30, 2025

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**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Findings and Questioned Costs for Federal Awards and State Financial Assistance**

No matters were reported.

**Section IV - Prior Year Audit Findings**

No matters were reported.

**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 of  
Homefront, Inc.

We have audited, 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, the financial statements of Homefront, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, 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 April 10, 2026.

**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 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 entity'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 or significant deficiencies may exist that were not identified.

**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*.

**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 (CONTINUED)**

**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.

*Mercedien, P.C.*

*Certified Public Accountants*

April 10, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CIRCULAR**

To the Board of Trustees of  
Homefront, Inc.

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited Homefront, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended September 30, 2025. The Organization's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2025.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Circular Letter 25-12-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Our responsibilities under those standards and the Uniform Guidance and the Circular are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal and state programs.

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CIRCULAR (CONTINUED)**

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, the Uniform Guidance and the Circular will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance and the Circular, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Circular, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE CIRCULAR (CONTINUED)**

**Report on Internal Control Over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Circular. Accordingly, this report is not suitable for any other purpose.

*Mercedien, P.C.*  
*Certified Public Accountants*

April 10, 2026