

HOMEFRONT, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

September 30, 2024 and 2023

HOMEFRONT, INC.

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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, 2024 and 2023, 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, 2024 and 2023, 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 audit was 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 15-08-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 March 19, 2025, 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

March 19, 2025

HOMEFRONT, INC.**STATEMENTS OF FINANCIAL POSITION**
September 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,436,781	\$ 1,558,454
Accounts receivable, net of allowance for doubtful accounts of \$38,622 in 2024 and \$50,904 in 2023	503,215	634,372
Accounts receivable - Homes by TLC	-	98,300
Grants and contracts receivable	1,213,505	1,044,072
Pledges receivable, current portion	70,000	46,668
Inventory	330,969	-
Investments, undesignated	996,295	805,395
Prepaid expenses	79,176	82,146
Total Current Assets	<u>4,629,941</u>	<u>4,269,407</u>
Investments, board-designated	6,338,976	6,410,979
Investments, donor-restricted for endowment	4,825,116	4,324,287
Pledges receivable, net of current portion	30,000	40,000
Property and equipment, net	6,758,260	7,003,486
Right-of-use asset - operating lease	731,646	862,020
Total Assets	<u><u>\$ 23,313,939</u></u>	<u><u>\$ 22,910,179</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 692,600	\$ 773,613
Deferred revenue	117,355	89,866
Lease liability - operating lease	136,717	127,005
Forgivable mortgages, current maturities	60,000	60,000
Total Current Liabilities	<u>1,006,672</u>	<u>1,050,484</u>
Lease liability - operating lease, net of current portion	601,666	738,384
Forgivable mortgages, net of current maturities	60,000	120,000
Total Liabilities	<u>1,668,338</u>	<u>1,908,868</u>
Net Assets		
Without donor restrictions		
Board-designated	6,338,976	6,410,979
Undesignated	6,861,136	6,280,832
Total Net Assets without Donor Restrictions	<u>13,200,112</u>	<u>12,691,811</u>
With donor restrictions	8,445,489	8,309,500
Total Net Assets	<u>21,645,601</u>	<u>21,001,311</u>
Total Liabilities and Net Assets	<u><u>\$ 23,313,939</u></u>	<u><u>\$ 22,910,179</u></u>

HOMEFRONT, INC.**STATEMENTS OF ACTIVITIES**

Years Ended September 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Federal and state government grants	\$ 3,720,138	\$ -	\$ 3,720,138	\$ 4,524,965	\$ -	\$ 4,524,965
Corporate and foundation grants	1,726,470	-	1,726,470	1,383,692	-	1,383,692
Program fees	2,796,898	-	2,796,898	2,458,265	-	2,458,265
Contributions - financial assets	4,615,489	6,000	4,621,489	4,395,530	220,991	4,616,521
Contributions - nonfinancial assets	6,636,739	-	6,636,739	6,481,278	-	6,481,278
Investment return, net of fees	1,248,088	494,829	1,742,917	844,250	247,313	1,091,563
Thrift store sales	287,035	-	287,035	249,825	-	249,825
Maintenance fees - Homes by TLC, Inc.	137,833	-	137,833	130,000	-	130,000
Social services fees - Homes by TLC, Inc.	169,761	-	169,761	154,152	-	154,152
Property management fees - Homes by TLC, Inc.	117,250	-	117,250	110,700	-	110,700
Other income	317,432	-	317,432	305,333	-	305,333
Net assets released from restrictions	364,840	(364,840)	-	705,790	(705,790)	-
Total support and revenues	<u>22,137,973</u>	<u>135,989</u>	<u>22,273,962</u>	<u>21,743,780</u>	<u>(237,486)</u>	<u>21,506,294</u>
Expenses						
Program services	19,364,110	-	19,364,110	18,259,776	-	18,259,776
Fundraising	991,545	-	991,545	858,783	-	858,783
Management and general	1,274,017	-	1,274,017	995,000	-	995,000
Total operating expenses	<u>21,629,672</u>	<u>-</u>	<u>21,629,672</u>	<u>20,113,559</u>	<u>-</u>	<u>20,113,559</u>
Change in net assets	508,301	135,989	644,290	1,630,221	(237,486)	1,392,735
Net assets, beginning of year	<u>12,691,811</u>	<u>8,309,500</u>	<u>21,001,311</u>	<u>11,061,590</u>	<u>8,546,986</u>	<u>19,608,576</u>
Net assets, end of year	<u>\$ 13,200,112</u>	<u>\$ 8,445,489</u>	<u>\$ 21,645,601</u>	<u>\$ 12,691,811</u>	<u>\$ 8,309,500</u>	<u>\$ 21,001,311</u>

See notes to financial statements.

HOMEFRONT, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2024

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

See notes to financial statements.

HOMEFRONT, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended September 30, 2023

	Program Services					Fundraising	Management and General	Total
	Housing Services	Children	Personal Wellness	Right Tools	Basic Necessities			
Personnel								
Salaries and wages	\$ 3,122,036	\$ 1,092,326	\$ 181,719	\$ 300,015	\$ 740,910	\$ 5,437,006	\$ 446,178	\$ 6,523,411
Payroll taxes and benefits	907,913	313,284	55,556	85,993	214,131	1,576,877	134,181	1,883,728
Stipends	9,000	8,250	6,750	-	11,250	35,250	-	35,250
Total Personnel	4,038,949	1,413,860	244,025	386,008	966,291	7,049,133	580,359	8,442,389
Direct client assistance								
Individual assistance	110,500	11,377	1,114	40,820	141,464	305,275	-	305,275
Shelter	1,074,119	-	-	-	-	1,074,119	-	1,074,119
Food	220,372	18,400	1,128	1,155	23,886	264,941	2,303	268,200
Transportation	53,361	35,598	4,567	6,559	17,364	117,449	5,845	130,737
Total Direct Client Assistance	1,458,352	65,375	6,809	48,534	182,714	1,761,784	8,148	1,778,331
Sub-grantees	660,750	-	-	-	-	660,750	-	660,750
Accounting and legal	31,232	7,678	1,349	2,057	5,097	47,413	3,256	55,056
Consultants and security guards	219,537	9,791	13,103	1,762	4,435	248,628	5,562	257,813
Rent and utilities	115,152	23,711	427	654	132,239	272,183	1,042	362,041
Technology	88,420	44,019	7,350	14,517	21,349	175,655	10,868	200,392
Insurance	102,943	28,098	3,699	4,618	11,781	151,139	5,678	161,304
Program, office and subscriptions	254,203	56,394	14,230	23,211	40,416	388,454	24,296	429,124
Repairs and maintenance	384,518	42,130	4,308	4,419	13,971	449,346	7,160	465,622
Postage and printing	15,350	4,110	5,045	1,526	6,927	32,958	80,471	114,487
Staff development and recruitment	76,475	34,040	3,429	6,904	14,189	135,037	10,122	156,461
Fundraising	328	-	652	-	-	980	117,803	118,783
Miscellaneous	38,667	6,796	7,915	2,445	10,558	66,381	4,018	89,638
In-kind	6,481,278	-	-	-	-	6,481,278	-	6,481,278
Total before depreciation	13,966,154	1,736,002	312,341	496,655	1,409,967	17,921,119	858,783	19,773,469
Depreciation	338,657	-	-	-	-	338,657	-	340,090
Total Expenses	\$ 14,304,811	\$ 1,736,002	\$ 312,341	\$ 496,655	\$ 1,409,967	\$ 18,259,776	\$ 858,783	\$ 20,113,559

See notes to financial statements.

HOMEFRONT, INC.**STATEMENTS OF CASH FLOWS**

Years Ended September 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 644,290	\$ 1,392,735
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	371,178	340,090
Donated inventory	(330,969)	-
Forgiven mortgage principal	(60,000)	(60,000)
Change in allowance for doubtful accounts	12,282	3,235
Unrealized/realized (gain) loss on investments	(1,588,666)	(909,515)
Amortization of right-of-use asset - operating lease	130,374	125,658
Increase (decrease) in cash from		
Accounts receivable	118,875	(34,055)
Accounts receivable - Homes by TLC	98,300	(98,300)
Grants and contracts receivable	(169,433)	(636,278)
Pledges receivable	(13,332)	40,000
Prepaid expenses	2,970	7,498
Accounts payable and accrued expenses	(81,013)	256,031
Lease liability - operating lease	(127,005)	(122,289)
Deferred revenue	27,489	(246,658)
Net cash from operating activities	<u>(964,660)</u>	<u>58,152</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(125,952)	(509,767)
Purchase of investments, net of sales	968,939	(520,301)
Net cash from investing activities	<u>842,987</u>	<u>(1,030,068)</u>
Net change in cash, cash equivalents and restricted cash	(121,673)	(971,916)
Cash, cash equivalents and restricted cash, beginning of year	1,558,454	2,530,370
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,436,781</u>	<u>\$ 1,558,454</u>
Supplemental Disclosure of Cash Flow Information		
Contributions of nonfinancial assets	<u>\$ 6,636,739</u>	<u>\$ 6,481,278</u>
Noncash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ -</u>	<u>\$ 987,678</u>
Forgiven mortgage principal	<u>\$ 60,000</u>	<u>\$ 60,000</u>

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 34 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 30,676 unique individuals, helping them overcome crises with dignity and hope.

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, 2024 and 2023, the allowance for doubtful accounts was \$38,622 and \$50,904, 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, 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,	
	2024	2023
Revenue recognized at a point in time (ASC 606)		
Homes by TLC revenue	\$ 424,844	\$ 394,852
Program fees	2,796,898	2,458,265
Other income	317,432	305,333
Thrift store revenue	287,035	249,825
Total revenue recognized at a point in time (ASC 606)	<u>3,826,209</u>	<u>3,408,275</u>
Grants, contributions and other revenue not subject to ASC 606		
Contributions - financial assets	4,621,489	4,616,521
Grants - government, corporate and foundation	5,446,608	5,908,657
Investment return, net of fees	1,742,917	1,091,563
Contributions - nonfinancial assets	6,636,739	6,481,278
Total grants, contributions and other revenue not subject to ASC 606	<u>18,447,753</u>	<u>18,098,019</u>
Total revenue	<u>\$ 22,273,962</u>	<u>\$ 21,506,294</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, 2024 and 2023.

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, 2024 and 2023, 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 has entered into a noncancelable operating lease for office space. The Organization determines if an arrangement is a lease at the inception date of the lease.

Effective with the implementation of Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* and subsequent amendments to the initial guidance (collectively, Topic 842) on October 1, 2022, operating leases (with the exception of leases with a term of twelve months or less) are recorded as right-of-use assets and right-of-use liabilities in the statement of financial position.

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.

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.

Recently Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaces the previous “incurred loss” model for recognizing credit losses (i.e., losses are not recorded until it is probable that a loss has been incurred) with the current expected credit loss (CECL) model under which all expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost or are classified as available for sale are required to be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions. Financial assets held by the Organization that are subject to the guidance were trade accounts receivable. The Organization adopted the standard effective September 30, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through March 19, 2025, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

Reclassifications

Certain prior year amounts were reclassified in order to conform to the current year presentation. Certain allocations for the Statements of Financial Position were reclassified as well. The reclassifications have no effect on the change in net assets.

C. AVAILABILITY AND LIQUIDITY

The following table represents the Organization's financial assets at September 30, 2024 and 2023, reduced by amounts not available for general use within one year of the statements of financial position date.

	September 30,	
	2024	2023
Cash and cash equivalents	\$ 1,436,781	\$ 1,558,454
Accounts receivable, net	503,215	634,372
Grants and contracts receivable	1,213,505	1,044,072
Pledges receivable, current	70,000	46,668
Total financial assets	<u>3,223,501</u>	<u>3,283,566</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>(89,651)</u>	<u>(220,834)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,133,850</u>	<u>\$ 3,062,732</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.

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

D. INVESTMENTS

Investments as of September 30, 2024 and 2023, are as follows:

	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>

	September 30, 2023		
	Fair Value	Cost	Unrealized Gain
Cash and cash equivalents	\$ 1,154,482	\$ 1,154,482	\$ -
Fixed income	1,595,929	1,583,449	12,480
Equity securities	1,083,066	1,000,000	83,066
Princeton Area Community Foundation pooled funds	7,707,184	6,833,675	873,509
Balance, end of year	<u>\$ 11,540,661</u>	<u>\$ 10,571,606</u>	<u>\$ 969,055</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.

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

E. FAIR VALUE MEASUREMENT (CONTINUED)

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, 2024 and 2023, 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.

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, 2024 and 2023, are summarized as follows:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
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>

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,154,482	\$ -	\$ -	\$ 1,154,482
Fixed income	-	1,595,929	-	1,595,929
Equity securities	1,083,066	-	-	1,083,066
Princeton Area Community Foundation pooled funds	-	-	7,707,184	7,707,184
Total investments	<u>\$ 2,237,548</u>	<u>\$ 1,595,929</u>	<u>\$ 7,707,184</u>	<u>\$ 11,540,661</u>

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

E. FAIR VALUE MEASUREMENT (CONTINUED)

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,	
	2024	2023
Balance, beginning of year	\$ 7,707,184	\$ 7,944,362
Contributions	276,362	57,877
Investment return, net of fees	1,211,180	804,945
Amount appropriated for expenditures	(1,370,359)	(1,100,000)
Balance, end of year	<u>\$ 7,824,367</u>	<u>\$ 7,707,184</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.

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, 2024 and 2023, 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

F. ENDOWMENTS (CONTINUED)**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.

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>

Changes in endowment net assets for the year ended September 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 276,777	\$ 4,019,098	\$ 4,295,875
Endowment contributions	-	57,876	57,876
Investment return, net	-	422,613	422,613
Transfer to HomeFront Fund	(146,600)	-	(146,600)
Amounts appropriated for expenditure	175,300	(175,300)	-
Endowment net assets, end of year	<u>\$ 305,477</u>	<u>\$ 4,324,287</u>	<u>\$ 4,629,764</u>

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023.

Property and equipment are comprised of the following as of September 30, 2024 and 2023:

	September 30,	
	2024	2023
Building and building improvements - HomeFront Family Campus	\$ 6,132,107	\$ 6,132,107
Leasehold improvements	2,443,150	2,443,150
Vehicles	829,193	779,195
Office furniture and equipment	1,047,544	971,589
Subtotal	10,451,994	10,326,041
Less: accumulated depreciation	3,693,734	3,322,555
Property and equipment, net	<u>\$ 6,758,260</u>	<u>\$ 7,003,486</u>

H. LINE OF CREDIT

The Organization has a \$250,000 line of credit with Bank of America available through May 31, 2025. 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, 2024 and 2023.

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 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 at September 30, 2024 and 2023, was \$120,000 and \$180,000, respectively.

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

I. FORGIVABLE MORTGAGES PAYABLE (CONTINUED)

As of September 30, 2024, future amounts of mortgage forgiveness to be recognized are as follows:

<u>Year Ending September 30,</u>	
2025	\$ 60,000
2026	60,000
	<u>\$ 120,000</u>

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, 2024 and 2023, were \$163,043 and \$131,117, 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 Workforce Fund – established in 2021 with an initial balance of \$1,500,000 to support of the Organization's workforce. The Organization is authorized to draw up to \$500,000 per year from 2022 through 2024 to offset necessary increases in compensation expense, to facilitate employee retention and to attract more qualified candidates.

Board-designated net assets as of September 30, 2024 and 2023, are as follows:

	<u>September 30,</u>	
	<u>2024</u>	<u>2023</u>
Operating reserve	\$ 3,923,000	\$ 3,500,000
HomeFront Impact Fund	2,415,976	2,410,979
HomeFront Workforce Fund	-	500,000
Total board-designated net assets	<u>\$ 6,338,976</u>	<u>\$ 6,410,979</u>

HOMEFRONT, INC.**NOTES TO FINANCIAL STATEMENTS****K. NET ASSETS (CONTINUED)****With Donor Restrictions**

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

	September 30,	
	2024	2023
HomeFront Family Campus	\$ 3,530,722	\$ 3,764,379
Endowment fund assets		
Corpus	4,093,090	4,087,090
Accumulated earnings (losses)	732,026	237,197
Contributions related to programs	89,651	220,834
Total net assets with donor restrictions	<u>\$ 8,445,489</u>	<u>\$ 8,309,500</u>

Net assets were released from donor restrictions as follows:

	Year Ended September 30,	
	2024	2023
HomeFront Family Campus	\$ 233,657	\$ 233,657
Contributions related to programs	131,183	472,133
Total net assets released from donor restrictions	<u>\$ 364,840</u>	<u>\$ 705,790</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, 2024 and 2023, consisted of the following:

	Year Ended September 30,	
	2024	2023
Meals, food, diapers, personal care products, clothing and toys distributed to clients	\$ 5,863,658	\$ 5,526,937
Vehicles, computers, household furnishings and other supplies distributed to clients	388,551	698,466
Professional services and postage	53,850	56,375
Rent below fair market value	330,680	199,500
Total contributed nonfinancial assets	<u>\$ 6,636,739</u>	<u>\$ 6,481,278</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, 2024 and 2023, 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 50,600 and 40,000 hours in the years ended September 30, 2024 and 2023, respectively. If such volunteer hours were valued, they would approximate \$1,695,000 and \$1,272,000 for the years ended September 30, 2024 and 2023, 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.

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

M. OPERATING LEASES

The Organization has one operating lease for its administrative office expiring in September 2025. The lease calls for two extension periods of two years each. Management believes it is highly likely that both extensions will be exercised, therefore the expiration date of the lease for the purposes of ASC 842 is September 2029.

Short-term lease costs for the years ended September 30, 2024 and 2023, were \$100,600 and \$91,800, respectively.

The components of lease costs were as follows for the years ended September 30, 2024 and 2023:

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

As of September 30, 2024, the maturity analysis of the annual undiscounted cash flows of the operating lease were as follows:

<u>Years Ending September 30,</u>	
2025	\$ 161,832
2026	161,832
2027	161,832
2028	161,832
2029	161,832
Total minimum payments	<u>809,160</u>
Less: present value discount	<u>(70,777)</u>
Total lease liabilities	<u>\$ 738,383</u>

The weighted average remaining lease term and weighted average discount rate were as follows as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years)		
Operating leases	4.92	5.93
Weighted average discount rate		
Operating leases	3.79%	3.79%

Supplemental cash flow information related to leases was as follows for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Cash flows from operating leases	\$ 127,005	\$ 122,289
Property and equipment acquired through operating leases	-	987,678
Total	<u>\$ 127,005</u>	<u>\$ 1,109,967</u>

HOMEFRONT, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, these amounts totaled approximately \$424,844 and \$394,852, respectively. Of these amounts, \$98,300 was receivable as of September 30, 2023.

Homes by TLC, Inc. rents warehouse and office space to HomeFront, Inc. under an operating lease, which expires on September 30, 2025 (See Note M).

Homes by TLC, Inc. also rents various residential properties to HomeFront, Inc. under operating leases which expired in September 2023. These leases have been renewed until September 30, 2025 (see Note M).

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, 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. During the year ended September 30, 2023, the Organization received approximately 21% of its total revenue from contribution income, 11% from program fees, 30% from in-kind donations, and 21% from government grants.

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, 2024 and 2023.

SUPPLEMENTARY INFORMATION

HOMEFRONT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended September 30, 2024

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 - 09/30/24	\$ 36,261	\$ -
Passed through City of Trenton Emergency Solutions Grant (ESG-CV)	14.231	E-20-MW-34-0007	07/01/23 - 06/30/24	13,974	-
Subtotal				50,235	-
Mercer County Leasing 2011	14.267	NJ0368L2F142109	08/01/23 - 07/31/24	243,034	-
Total U.S. Department of Housing and Urban Development				293,269	-
U.S. Department of Health and Human Services Passed through NJ Department of Community Affairs Comprehensive Eviction Defense & Diversion	21.027	2023-05349-0809-01	02/01/23 - 01/31/24	244,838	-
<i>477 Cluster</i> Passed through the County of Mercer Mercer County - LCC / CSBG	93.569	RESOL2022-127	01/01/24 - 12/31/25	100,000	-
Subtotal 477 Cluster				100,000	-
Thriving Families: Evaluation of Self-Sufficiency Programming (ACF)	93.595	90PE0059-02-00	09/30/22 - 09/30/24	71,487	-
Total U.S. Department of Health and Human Services				416,325	-
U.S. Department of Labor <i>WIOA Cluster</i> Passed through NJ Department of Labor and Workforce Development Mercer County - Workfirst/CWEP Program	17.258	PY2022-672	10/01/22 - 6/30/24	136,844	-
Mercer County - Workfirst/CWEP Program	17.258	PY2024-365	07/01/24 - 6/30/25	22,871	-
Mercer County - Workfirst/OCCU Program	17.258	PY2022-673	10/01/22 - 6/30/24	140,452	-
Mercer County - Workfirst/OCCU Program	17.258	PY2024-366	07/01/24 - 6/30/25	33,344	-
Subtotal WIOA Cluster				333,511	-
Total U.S. Department of Labor				333,511	-

HOMEFRONT, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) Year Ended September 30, 2024

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	07/01/23 - 06/30/24	55,677	-
Monmouth-Ocean Educational Services Commission	84.196	N/A	07/01/24 - 12/31/24	33,345	-
Subtotal				89,022	
Total U.S. Department of Education				89,022	-
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board - Phase 40	97.024	N/A	11/01/21 - 10/31/24	10,000	-
Total U.S. Department of Homeland Security				10,000	-
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	10/01/23 - 09/30/24	109,317	-
Total U.S. Department of Agriculture				109,317	-
Total Expenditures of Federal Awards				\$ 1,251,444	\$ -

HOMEFRONT, INC.**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

Year Ended September 30, 2024

State Grantor Department and Program Title/Name	State Grant Award or Account Number	Grant Period	Current Year Expenditures	Passed Through to Subrecipients
New Jersey Department of Children and Families				
Division of Child Protection and Permanency				
Resource Network and Family Preservation Center Children's Program	24C00174	07/01/23 - 06/30/24	\$ 12,469	\$ -
Resource Network and Family Preservation Center Children's Program	25C00174	07/01/24 - 06/30/25	3,117	-
Family Support Services	N/A	N/A	10,625	-
Subtotal			<u>26,211</u>	<u>-</u>
Total New Jersey Department of Children and Families			<u>26,211</u>	<u>-</u>
New Jersey Department of Health and Senior Services				
Division of HIV/AIDS Services				
Passed through Henry J. Austin Health Center, Inc.				
HIV/AIDS Housing	DHST24HIV022	07/01/23 - 06/30/24	119,636	-
HIV/AIDS Housing	DHST25HIV017	07/01/24 - 06/30/25	39,403	-
Subtotal			<u>159,039</u>	<u>-</u>
Passed through Mercer County Department of Human Services				
Homelessness Prevention	RES #2023-596	01/01/24 - 12/31/24	47,585	-
Subtotal			<u>47,585</u>	<u>-</u>
Total New Jersey Department of Health and Senior Services			<u>206,624</u>	<u>-</u>
New Jersey Department of Human Services				
Division of Mental Health & Addiction Services				
Passed through Capital Health System:				
For My Baby and Me	DFHS181O5005(2)	07/01/23 - 6/30/24	425,921	-
For My Baby and Me	DFHS181O5005(2)	07/01/24 - 6/30/25	183,097	-
Subtotal			<u>609,018</u>	<u>-</u>
Total New Jersey Department of Human Services			<u>609,018</u>	<u>-</u>

HOMEFRONT, INC.**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)**
Year Ended September 30, 2024

State Grantor Department and Program Title/Name	State Grant Award or Account Number	Grant Period	Current Year Expenditures	Passed Through to Subrecipients
New Jersey Department of Community Affairs				
Homeless Prevention & Rapid Re-Housing 2023	2023-02156-0433-06	05/01/23 - 09/30/24	248,845	-
Prevention of Homelessness 2018	2018-02150-0196-13	02/01/18 - 07/31/24	6,291	-
Prevention of Homelessness 2019	2019-02150-0592-09	08/01/19 - 12/31/24	257,152	-
Shelter Support - 2014	2014-02149-0129-00	12/09/15 - 12/09/25	30,000	-
Shelter Support - 2015	2015-02149-0129-00	12/09/15 - 12/09/25	30,000	-
HomeFront FY24 Grant	2024-05339-0120-00	07/01/23 - 06/30/25	250,000	-
HomeFront BRIDGES Grant	2023-05208-0827-00	07/01/22 - 06/30/24	482,250	410,750
HomeFront 2023 Shelter Providers Grant	2023-05339-0381-00	07/01/22 - 06/30/24	250,000	250,000
Homelessness Diversion Pilot	2024-05224-0127-00	02/01/24 - 01/31/25	47,302	-
Document Access and Support for Housing (DASH)	2023-05351-0893-01	08/01/23 - 12/31/24	91,178	-
Comprehensive Eviction Defense & Diversion 2024	2024-05349-0574-01	02/01/24 - 07/31/25	253,953	-
Subtotal			<u>1,946,971</u>	<u>660,750</u>
Total New Jersey Department of Community Affairs			<u>1,946,971</u>	<u>660,750</u>
Total Expenditures of State Financial Assistance			<u>\$ 2,788,824</u>	<u>\$ 660,750</u>

HOMEFRONT, INC.

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE Year Ended September 30, 2024

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, 2024. 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 15-08-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. Subrecipients

During the year ended September 30, 2024, the Organization provided \$410,750 and \$250,000, respectively, in pass-through funds to subrecipients under its BRIDGES and 2023 Shelter Providers Grants.

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

Federal and state government grants revenue per audit:	\$ 3,720,138
Add: Amounts reported as program fees	320,130
Adjusted government grants revenue per audit	<u>4,040,268</u>
Expenses per Schedules	
Schedule of Federal Awards	\$ 1,251,444
Schedule of State Financial Assistance	2,788,824
Total expenses per Schedules	<u>4,040,268</u>
Variance	<u><u>\$ -</u></u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2024

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HOMEFRONT, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended September 30, 2024

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, 2024, 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 March 19, 2025.

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.

Mercadieu, P.C.

Certified Public Accountants

March 19, 2025

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, 2024. 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, 2024.

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 15-08-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.

Mercadieu, P.C.
Certified Public Accountants

March 19, 2025