

HOMEFRONT, INC.
Financial Statements
and
Independent Auditors' Report
Years Ended September 30, 2017 and 2016

HOMEFRONT, INC.
Years Ended September 30, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Schedule of Expenditures of Federal and State Awards	22
Notes to Schedule of Expenditures of Federal Awards	24
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 <i>Government Auditing Standards</i>	25
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08-OMB	27
Schedule of Findings and Questioned Costs	30
Schedule of Prior Year Findings	31
Supplemental Information:	
Schedule of Budgeted and Incurred Costs – NJDOH Grant #AIDS17CTR041	32
Schedule of Budgeted and Incurred Costs – NJDOH Grant #AIDS18CTR020	33

Civale, Silvestri, Alfieri, Martin & Higgins, LLC

CERTIFIED PUBLIC ACCOUNTANTS

a member of

Hamilton Financial Group, LLC
FINANCIAL AND INSURANCE SERVICES

Albert V. Silvestri, CPA/PFS
James S. Alfieri, CPA
Peter S. Martin, CPA, CVA, CFF
Robert J. Higgins, CPA, RMA

Vincent Civale, CPA
Patricia A. Civale, CPA

To the Boards of Trustees of
HomeFront, Inc.
Trenton, New Jersey

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of HomeFront, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *the State of New Jersey Office of Management and Budget Circular Letter 15-08-OMB*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

To the Board of Trustees of
HomeFront, Inc.
Trenton, New Jersey

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of HomeFront, Inc. as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of budgeted and incurred costs and the additional information required by the State of New Jersey is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards and/or the State of New Jersey, Department of Treasury, OMB Circular 15-08-OMB and Policy Circular P7.06*, is presented for purposes of additional analysis and is also 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of HomeFront, Inc.'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and

To the Board of Trustees of
Homefront, Inc.
Trenton, New Jersey

not to provide an opinion on 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 HomeFront, Inc.'s internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements as of, and for the year ended, September 30, 2016 were audited by Lewis W. Parker, III CPA who was acquired by Hamilton Financial Group, LLC as of October 23, 2017, and whose report dated February 10, 2017, expressed an unmodified opinion on those statements.

HAMILTON FINANCIAL GROUP, LLC

March 30, 2018
Mercerville, New Jersey

HOMEFRONT, INC.
Statements of Financial Position
September 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 374,338	\$ 231,260
Accounts receivable	406,658	409,721
Accounts receivable – Homes by TLC, Inc.	250,808	242,651
Grants and contracts receivable	254,020	220,418
Pledges receivable, current portion	296,333	450,821
Prepaid expenses	46,282	44,421
	<hr/>	<hr/>
Total current assets	1,628,439	1,703,543
Investments	1,131,270	36,184
Pledges receivable, net of current portion	726,516	104,251
Property and equipment, net	<hr/>	<hr/>
	6,715,459	6,899,949
Total assets	<hr/> <u>\$ 10,201,684</u>	<hr/> <u>\$ 8,639,676</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 351,200	\$ 422,275
Client deposits	7,106	6,951
Deferred program income	-	100,335
Loans payable, current maturities	60,000	60,000
Line of credit	-	775,000
	<hr/>	<hr/>
Total current liabilities	418,306	1,364,561
Long term liabilities:		
Loans payable, net of current maturities	<hr/>	<hr/>
	480,000	540,000
Total liabilities	<hr/> <u>898,306</u>	<hr/> <u>1,904,561</u>
Net assets:		
Unrestricted	1,989,510	1,111,217
Temporarily restricted	5,265,868	5,600,898
Permanently restricted (endowment)	2,048,000	23,000
	<hr/>	<hr/>
Total net assets	9,303,378	6,735,115
Total liabilities and net assets	<hr/> <u>\$ 10,201,684</u>	<hr/> <u>\$ 8,639,676</u>

The accompanying notes are an integral part of these financial statements.

HOMEFRONT, INC.
Statements of Activities and Changes in Net Assets
Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues:								
Federal and state grants	\$ 1,329,223	\$ -	\$ -	\$ 1,329,223	\$ 1,338,964	\$ -	\$ -	\$ 1,338,964
Corporate and foundation grants	970,184	-	-	970,184	713,288	-	-	713,288
Program fees	2,362,996	-	-	2,668,871	2,047,192	-	-	2,047,192
Contributions	2,512,483	-	2,025,000	4,537,483	2,479,141	200,920	-	2,680,061
Investment income	72,854	-	-	72,854	(358)	3,146	-	2,788
In kind contributions	3,068,470	-	-	3,068,470	2,472,485	-	-	2,472,485
Other income	377,517	-	-	377,517	140,272	-	-	140,272
Maintenance fees – Homes by TLC, Inc.	112,000	-	-	112,000	112,000	-	-	112,000
Social service fees – Homes by TLC, Inc.	104,275	-	-	104,275	90,000	-	-	90,000
Property management – Homes by TLC, Inc.	90,000	-	-	90,000	90,000	-	-	90,000
Subtotal	10,999,602	-	2,025,000	13,024,602	9,482,984	204,066	-	9,687,050
Net assets released due to satisfaction of time or purpose restrictions	335,030	(335,030)	-	-	245,753	(245,753)	-	-
Total support and revenue	11,334,632	(335,030)	2,025,000	13,024,602	9,728,737	(41,687)	-	9,687,050
Expenses:								
Program services	9,580,638	-	-	9,580,638	8,967,522	-	-	8,967,522
Management and general	505,683	-	-	505,683	525,265	-	-	525,265
Fundraising	370,018	-	-	370,018	385,339	-	-	385,339
Total expenses	10,456,339	-	-	10,456,339	9,878,126	-	-	9,878,126
Changes in net assets	878,293	(355,030)	2,025,000	2,568,263	(149,389)	(41,687)	-	(191,076)
Net assets, beginning of year	1,111,217	5,600,898	23,000	6,735,115	1,260,606	5,642,585	23,000	6,926,191
Net assets, end of year	\$ 1,989,510	\$ 5,265,868	\$ 2,048,000	\$ 9,303,378	\$ 1,111,217	\$ 5,600,898	\$ 23,000	\$ 6,735,115

The accompanying notes are an integral part of these financial statements.

HOMEFRONT, INC.
Statements of Functional Expenses
Years Ended September 30, 2017

	Prevention/ Emergency Services	Client Support Services	Housing	Total Program Services	Management and General	Fundraising	Total
Personnel							
Salaries and wages	\$ 1,150,107	\$ 1,582,377	\$ 359,204	\$ 3,091,688	\$ 344,258	\$ 93,491	\$ 3,529,437
Payroll taxes/benefits	332,376	457,300	103,808	893,484	95,437	22,228	1,011,149
Total personnel	<u>1,482,483</u>	<u>2,039,677</u>	<u>463,012</u>	<u>3,985,172</u>	<u>439,695</u>	<u>115,719</u>	<u>4,540,586</u>
Direct client assistance							
Shelter	336,955	-	93,236	430,191	-	-	430,191
Food	249,803	50,809	-	300,612	-	73	300,685
Transportation	64,024	103,221	7,947	175,192	4,938	1,749	181,879
Counseling services	28,354	-	-	28,354	-	-	28,354
Direct client needs	23,832	15,697	439	39,968	-	-	39,968
Total direct client assistance	<u>702,968</u>	<u>169,727</u>	<u>101,622</u>	<u>974,317</u>	<u>4,938</u>	<u>1,822</u>	<u>981,077</u>
In kind services, food, and facilities							
In kind services, food, and facilities	-	3,068,470	-	3,068,470	-	-	3,068,470
Depreciation/amortization	32,905	306,169	-	339,074	8,869	-	347,943
Repairs and maintenance	247,188	26,628	7,205	281,021	2,780	678	284,479
Supplies – program, office & other	78,973	76,570	13,449	168,992	8,352	21,406	198,750
Utilities	91,675	41,282	8,697	141,654	1,833	427	143,914
Security	137,170	-	-	137,170	-	-	137,170
Consultants	9,955	63,117	36,030	109,102	13,900	8,048	131,050
Insurance	49,159	64,690	8,628	122,477	5,330	1,241	129,048
Printing	1,153	3,025	-	4,178	-	91,354	95,532
Fundraising	-	-	-	-	-	89,698	89,698
Telephone	29,020	40,732	6,881	76,633	3,421	2,528	82,582
Rent to Homes by TLC, Inc.	53,975	19,031	4,816	77,822	6,666	1,912	86,400
Miscellaneous	6,204	14,006	4,750	24,960	3,752	6,577	35,289
Accounting/legal	8,299	15,539	5,961	29,799	3,951	920	34,670
Postage	1,139	6,403	2,398	9,940	1,590	22,078	33,608
Interest	17,671	130	50	17,851	33	8	17,892
Staff Development	4,212	4,029	864	9,105	573	5,602	15,280
Background check & drug testing	2,506	-	-	2,506	-	-	2,506
Recreation education	395	-	-	395	-	-	395
Total	<u>771,599</u>	<u>3,749,821</u>	<u>99,729</u>	<u>4,621,149</u>	<u>61,050</u>	<u>252,477</u>	<u>4,922,677</u>
Total expenses	<u>\$ 2,957,050</u>	<u>\$ 5,959,225</u>	<u>\$ 664,363</u>	<u>\$ 9,580,638</u>	<u>\$ 505,683</u>	<u>\$ 370,018</u>	<u>\$ 10,456,339</u>

The accompanying notes are an integral part of these financial statements.

HOMEFRONT, INC.
Statements of Functional Expenses
Years Ended September 30, 2016

	Prevention/ Emergency Services	Client Support Services	Housing	Program Services	Management and General	Fundraising	Total
Personnel							
Salaries and wages	\$ 1,345,869	\$ 1,444,301	\$ 344,454	\$ 3,134,624	\$ 311,276	\$ 142,064	\$ 3,587,964
Payroll taxes/benefits	305,293	450,086	80,563	835,942	71,427	33,553	940,922
Total personnel	<u>1,651,162</u>	<u>1,894,387</u>	<u>425,017</u>	<u>3,970,566</u>	<u>382,703</u>	<u>175,617</u>	<u>4,528,886</u>
Direct client assistance							
Shelter	317,217	-	161,002	478,219	-	-	478,219
Food	209,327	22,002	-	231,329	-	-	231,329
Transportation	65,252	123,936	2,180	191,368	2,357	1,214	194,939
Counseling services	20,848	-	-	20,848	-	-	20,848
Direct client needs	10,691	15,481	1,232	27,404	-	25	27,429
Total direct client assistance	<u>623,335</u>	<u>161,419</u>	<u>164,414</u>	<u>949,168</u>	<u>2,357</u>	<u>1,239</u>	<u>952,764</u>
In kind services, food, and facilities	-	2,472,485	-	2,472,485	-	-	2,472,485
Depreciation/amortization	20,207	287,631	-	307,838	78,910	-	386,748
Repairs and maintenance	197,927	33,724	8,095	239,746	3,734	1,696	245,176
Supplies – program, office & other	89,689	80,799	8,463	178,951	7,381	23,149	209,481
Consultants	15,662	66,250	29,217	111,129	14,979	10,871	136,979
Security	135,924	-	-	135,924	-	-	135,924
Insurance	29,181	68,329	24,290	121,800	10,075	3,882	135,757
Utilities	78,274	40,772	7,837	126,883	1,524	587	128,994
Telephone	38,039	45,850	5,719	89,608	3,939	2,633	96,180
Printing	4,043	21,321	3,108	28,472	3,313	58,245	90,030
Rent to Homes by TLC, Inc.	42,723	31,642	4,451	78,816	6,646	938	86,400
Fundraising	-	-	-	-	-	72,933	72,933
Interest	60,845	4,838	1,164	66,847	1,258	485	68,590
Accounting/legal	10,001	19,668	4,713	34,382	5,019	1,963	41,364
Miscellaneous	6,726	12,627	4,515	23,868	2,908	4,342	31,118
Postage	375	1,357	333	2,065	362	24,219	26,646
Recreation education	16,930	-	-	16,930	-	-	16,930
Rent	-	7,105	-	7,105	-	-	7,105
Staff Development	1,331	826	145	2,302	157	2,540	4,999
Background check & drug testing	2,637	-	-	2,637	-	-	2,637
Total	<u>750,514</u>	<u>3,195,224</u>	<u>102,050</u>	<u>4,047,788</u>	<u>140,205</u>	<u>208,483</u>	<u>4,396,476</u>
Total expenses	<u>\$ 3,025,011</u>	<u>\$ 5,251,030</u>	<u>\$ 691,481</u>	<u>\$ 8,967,522</u>	<u>\$ 525,265</u>	<u>\$ 385,339</u>	<u>\$ 9,878,126</u>

The accompanying notes are an integral part of these financial statements.

HOMEFRONT, INC.
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,568,263	\$ (191,076)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	347,943	386,747
Forgiveness of debt	(60,000)	-
Unrealized (gains)/loss on investments	(69,071)	(1,063)
Changes in assets and liabilities:		
Accounts receivable	(5,094)	97,006
Grants and contracts receivable	(33,602)	58,168
Pledges receivable	(467,777)	729,455
Prepaid expenses	(1,861)	(12,632)
Accounts payable and accrued expenses	(71,075)	44,464
Client deposits	155	1,235
Deferred program income	(100,335)	93,078
	<hr/>	<hr/>
Net cash provided by operating activities	2,107,546	1,205,382
Cash flows from investing activities:		
Purchase of equipment	(163,453)	(344,909)
Purchase of investments	(1,026,015)	(2,083)
	<hr/>	<hr/>
Net cash (used in) investing activities	(1,189,468)	(346,992)
Cash flow from financing activities:		
Proceeds from loans payable	-	200,000
Principal payments on line of credit	(775,000)	(1,125,000)
	<hr/>	<hr/>
Net cash (used in) financing activities	(775,000)	(925,000)
Net increase (decrease) in cash	143,078	(66,610)
Cash and cash equivalents, beginning of year	231,260	297,870
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 374,338	\$ 231,260
	<hr/> <hr/>	<hr/> <hr/>
Supplemental disclose of cash flow information:		
Cash paid during the year for:		
Taxes	\$ -	\$ -
Interest	\$ 17,892	\$ 68,590
	<hr/> <hr/>	<hr/> <hr/>
Non cash transactions:		
Contributions	\$ 3,068,470	\$ 2,472,491
	<hr/> <hr/>	<hr/> <hr/>
Debt forgiveness	\$ 60,000	\$ -
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

1. Nature of Operations

Since its inception, HomeFront, Inc. (HomeFront) has worked to break the cycle of poverty and end homelessness in Central New Jersey and has served thousands of Mercer County families. Started by volunteers providing meals for families living in welfare motels, HomeFront, a nonprofit corporation, has since developed a holistic array of services for clients who are either homeless or at high risk of becoming so. On any given night, HomeFront provides emergency shelter, transitional housing or permanent service-enriched housing to over 475 people. Two-thirds of them are children. Some of the many services include case management, homelessness prevention, emergency food, free clothing and household goods at the HomeFront FreeStore, affordable housing searches, family literacy, job placement and readiness skills. Special programming for children includes a fully licensed early childhood development program, summer camp, after-school tutoring and activities. Client families in the emergency shelter housing programs have access to HomeFront's full menu of holistic services.

HomeFront has established wonderful collaborations with a wide range of congregations, corporations and organizations, who assist in HomeFront's mission of returning families to independence. More than 1,500 volunteers work with HomeFront each year to provide families with everything from food, goods and services to assistance in locating jobs and housing. Without these dedicated and caring volunteers, many of HomeFront's programs, such as the weeknight tutoring program would not be possible. Over 51,000 hours are volunteered each year by individuals, community and corporate groups.

HomeFront is supported primarily through donor, financial and in-kind contributions, together with government, corporation and foundation grants. During the current fiscal year, 16,236 cries for help were answered with shelter, food and hands-on emergency aid.

HomeFront has carefully nurtured invaluable community connections that play a key role in helping our homeless families become – and remain – independent. HomeFront staff is well-acquainted with all community agencies and the services available and they are frequently consulted for any available benefits or services that HomeFront is unable to provide.

In September of 2015, HomeFront opened its new Family Campus, which includes the relocated and expanded Family Preservation Center (emergency homeless shelter for families and medically fragile women); Hire Expectations (workforce development program); ArtSpace (therapeutic art program) and a wide variety of expanded and new programs.

The shelter is the heart of a new campus model, a transformational site to serve shelter residents as well as other homeless and low-income residents of Central New Jersey. The new campus hosts HomeFront services as well as other service providers. It has allowed HomeFront to create a centralized hub of innovative social service heretofore unparalleled in New Jersey.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

1. Nature of Operations (continued)

HomeFront, Inc's expenditures related to providing various programs have been classified into one of five functional cost categories as follows:

Prevention/Emergency Services

In the past year alone, over 16,000 heads-of-households sought prevention and emergency services. It is HomeFront's commitment to these low-income families and their emerging needs that has created the following programs:

Emergency Shelter

- Family Preservation Center – short-term program at the HomeFront Family Campus for up to 38 families (including families with men and some with single women) where parents learn the skills to enable them to be self-sufficient & gain permanent housing.
- FreshStart – Short-term housing for homeless working poor families. Help is given to locate and secure permanent housing while also providing intensive case management.

Homelessness Prevention

This program provides funds for back rent/mortgage/utilities & security deposits to enable Mercer County residents at risk of eviction to maintain their housing and spared 736 families the trauma of homelessness.

The Resource Network

This program provides very low-income families with the tools they need to establish a life with dignity.

During 2017, \$5,192,459 in donated goods & services was distributed including:

- Furnish The Future – donated furniture and appliances, available at no cost to clients.
- FreeStore – Clients select from donated clothing and household items at no cost to them.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

1. Nature of Operations (continued)

Client Support Services

Over the years, HomeFront has developed the following programs and services to assist low-income and/or homeless families to strengthen their personal safety nets and build successful and stable families. HomeFront builds long-term relationships with these families, who utilize HomeFront's holistic array of wrap-around services as indicated by their individual needs. With the opening of the HomeFront Family Campus, many of these programs have been expanded and new ones added. This new "village of healing and hope" offers a one-stop approach to services and is unlike anything in the Northeast. Services include:

Employment – Focused Skills Building

HomeFront recognizes that the basic foundation for independence is education and employment. The opportunities for clients are always growing and today include:

- High School Equivalency classes and testing
- MicroSoft Office training and certification
- Employment Readiness training and job placement counseling
- Micro-business crafting through the ArtSpace and Sewing Space programs
- Family Literacy programs
- Parenting, nutrition and personal finance classes

Children's Programs

HomeFront recognizes that the long-term effects of homelessness and extreme poverty on children can be crippling – physically, emotionally and educationally. The HomeFront enrichment and protection system for children is all-encompassing and includes free services such as:

- Atkinson Child Development Center with Early HeadStart program
- Year-round Tutoring and Mentoring
- *The Joy, Hopes and Dreams* after-school and weekend enrichment program
- The Children's Champion Team for assessing physical, developmental and emotional issues
- 8-week summer camp for children of all ages
- Boys' Basketball team
- A Back-to-School drive to ensure kids start to school the right way
- Year-Round Field trips
- Family Holiday events
- Christmas and Birthday Presents – over 3,500 children received specific personal gifts

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

1. Nature of Operations (continued)

Emergency Food Pantry

HomeFront prepares and provides food bags for hungry families in Mercer County. Anyone in need can come to HomeFront and receive a food bag. Food bags numbering 12,119 were distributed and over 3,149 families received Christmas and Thanksgiving food baskets during the year ended September 30, 2017.

Housing

It became clear to HomeFront that providing services and programs alone only addressed one side of the crisis faced by the homeless and low-income families of Mercer County. Without access to safe and affordable housing, there can be no home. HomeFront is dedicated to the development of affordable service-enriched housing for low income families as well as to the provision of transitional housing, where families can build their skills as they prepare to move into permanent housing.

Transitional Housing - HomeFront's programs provide intensive case management which focuses each family on becoming independent:

- Transitional Living Commitment – 3-6 months of housing for homeless families.
- Rapid Rehousing – 49 homeless families received ongoing rent subsidies and support services.

Permanent Service-Enriched Affordable Housing – HomeFront provides case management and support services for working poor families living in permanent, affordable housing in Mercer County (rents are no more than 30% of income).

Management and General – consists of activities related to policy development, planning, design and implementation of agency programs and services. These activities include administrative functions, financial functions, and personnel management functions.

HomeFront Inc. and Homes by TLC, Inc. share management, staff and limited expenses, to gain operating efficiencies. Homes by TLC pays fees to HomeFront, Inc. for the services performed by HomeFront Inc. employees. The services are such things as maintenance, social services for residents, accounting and management. These services are provided based on agreements approved by both organizations on an annual basis. Homes by TLC also rents space to HomeFront, Inc.

Fundraising – is defined as activities related to agency efforts to attract and increase financial support.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

2. Summary of significant accounting policies

Basis of accounting

HomeFront utilizes the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses are recognized when they are incurred.

Basis of presentation

The Organization classifies resources for accounting and reporting purposes into one of three net asset categories: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. For the years ended September 30, 2017 and 2016, the Organization had transactions in all three of the net asset categories; the unrestricted net asset category which represents net assets that are not subject to donor imposed restrictions, temporarily restricted net asset category which represents net assets subject to donor imposed restrictions that will be met by the passage of time or which will be fulfilled by the actions of the Organization and, permanently restricted net assets subject to donor imposed restrictions that will not expire by the passage of time nor can they be fulfilled by the actions of the organization.

Revenue and support recognition

The Organization reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulation time restriction ends or purpose restriction is accomplished temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. However, restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as unrestricted revenues in the statement of activities.

The Organization accounts for those grant revenues which are determined to be exchange transactions, in the statement of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Revenue is derived principally from grants from government agencies, corporations, foundations and individuals.

Expense allocation and program services

Expenses are allocated among program service, management and general and fundraising using the direct cost method and based on historical percentages or other reasonable basis consistent with the benefit derived by each program.

Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. At September 30, 2017 and 2016 management has concluded that an allowance is not necessary.

Property and Equipment

Property and equipment are stated at cost, or fair value with respect to donated items, less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method based upon estimated assets lives of three to forty years. Gains and losses resulting from the retirement of furniture, fixtures, and equipment are included in the statement of activities.

Contributed property and equipment is recorded at fair value at the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Deferred Program Income

The Organization records grant and contract revenue as refundable advances until it is expended for the purpose of the grant or contract, at which time it is recognized as revenue. The balance in deferred program income represents amounts received under contracts that will be expended in the next fiscal year in accordance with the grant and contract period.

Income Taxes

The Organization is exempt from federal income taxes under the Internal Revenue Code, Section 501(c)(3) and New Jersey taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

Generally accepted accounting principles prescribe a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires that computations of current and deferred income taxes only consider tax positions that are more than likely than not to be sustained if the tax authorities examine the position. The Organization evaluates statutes of limitations, changes in tax law, and new authoritative rulings and accrues for liabilities if applicable. The Organization's analysis found no uncertain tax positions.

Federal and state tax returns are subject to examination by the taxing authorities generally for the period of three years after they are filed. Any penalties and interest assessed by taxing authorities are included in operating expenses. No interest and penalties have been recorded for the years ended September 30, 2017 and 2016.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Contributed Services and Gifts In-Kind

Contributed services and gifts in-kind are recorded as contributions at a fair value as of the date of donation. Contributed services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at September 30, 2017 and 2016, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Concentrations

Financial instruments which potentially expose the Organization to concentrations of credit risk and market risk consist of money market accounts, checking accounts and certificates of deposit. The Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions, which, at times may exceed federally insured limits. These amounts are insured for \$250,000 in each institution by the Federal Deposit Insurance Corporation (FDIC).

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

2. Summary of significant accounting policies (continued)

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 30, 2018.

3. Grants and Contracts Receivable

HomeFront, Inc. operates certain programs under various grants and contracts. At September 30, 2017 and 2016, the Organization was due certain amounts from funding sources for expenditures incurred or services rendered in excess of payments received. The following details the grants and contracts receivable balances at September 30:

<u>Grants and Contracts Receivable</u>	<u>2017</u>	<u>2016</u>
U.S. Department of Health and Human Services CSBG	\$ 43,320	\$ 50,000
U.S. Department of Labor Work Force Development Job Skills and Education	28,328	28,914
U.S. Department of Labor Work Force Development Job Skills and Education	46,807	15,338
U.S. Department of Labor Work Force Development Job Skills and Education	-	42,356
U.S. Department of Housing & Urban Development Leasing program	25,194	26,080
U.S. Department of Housing & Urban Development Emergency Shelter	25,517	-
U.S. Department of Housing & Urban Development Emergency Shelter	14,514	-
State of New Jersey Department of Health HIV/AIDS Health Education Risk Reduction/Prevention Services	9,032	-
State of New Jersey Department of Community Affairs Homeless Prevention	23,982	20,600

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

3. Grants and Contracts Receivable (continued)

State of New Jersey Department of Community Affairs Homeless Prevention	23,279	14,467
State of New Jersey Department of Community Affairs Homeless Prevention	<u>14,047</u>	<u>22,663</u>
Total Grants and Contracts Receivable	<u>\$ 254,020</u>	<u>\$ 220,418</u>

4. Contributions receivable

Contributions receivable at September 30, 2017 and 2016 represent unconditional promises to give, which have been made by donors but have not yet been received by the Organization. Contributions which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year. The Organization considers contributions receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided.

Total unconditional promises to give at September 30, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	<u>\$ 296,333</u>	<u>\$ 450,821</u>
Receivable in one to five years:		
Total	770,000	108,334
Less: discount to net present value	<u>(43,484)</u>	<u>(4,083)</u>
Net long-term contributions receivable	<u>726,516</u>	<u>104,251</u>
Total contributions receivable	<u>\$ 1,022,849</u>	<u>\$ 555,072</u>

5. Investments

Investments are held in pooled funds invested with Princeton Area Community Foundation (PACF). As a participant in the pooled funds, the Organization's ownership interest is based on an allocation of the fair value of the Organization's units to the total fair value of the total investment pool. The pool is revalued periodically and income, gains and losses are allocated to the participants based on their units. All investments are measured at fair value in the statement of financial position. The change in fair value is included in investment income as unrestricted net assets.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There has been no change to the methodologies used at September 30, 2017 and 2016.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

5. Investments (continued)

Pooled investments are valued using a level 2 standard at the net asset value (NAV) of the units of the total pooled amounts. The NAV, as provided by PACF is used as the practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the pool less its liabilities. The practical expedient is not used when it is probable that the fund will sell the investments for an amount different than the reported NAV. Participant transactions may occur daily. Were the pooled investments to initiate a full redemption of the investment, the investment advisor reserves the right to temporarily delay withdrawal from the investment in order to ensure that securities liquidation will be carried out in an orderly manner.

The Organization maintains one fund at PACF. The HomeFront Endowment Fund was established by the board of trustees in April 2017. This fund will be used to support the mission of HomeFront. The Organization will draw no more than 4% of the funds value each year into the current operating budget. The fund is a true endowment fund and as such is considered to be part of permanently restricted net assets.

Investment activities for the years ended September 30, 2017 and 2016 are summarized as follows:

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets, beginning of year	\$ -	\$ -	\$ 23,000	\$ 36,184
Contributions	-	-	1,025,000	1,025,000
Investment income, net	-	1,015	-	1,015
Net appreciation (depreciation)	-	69,071	-	69,071
Amounts appropriated for expenditure	<u>70,086</u>	<u>(70,086)</u>	<u>-</u>	<u>-</u>
Endowment, end of year	<u>\$ 70,086</u>	<u>\$ -</u>	<u>\$ *1,048,000</u>	<u>* \$ 1,131,270</u>
<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Assets, beginning of year	\$ -	\$ 10,038	\$ 23,000	\$ 33,038
Contributions	-	-	-	-
Investment income, net	-	1,131	-	1,131
Net appreciation (depreciation)	-	2,015	-	2,015
Amounts appropriated for expenditure	<u>13,184</u>	<u>(13,184)</u>	<u>-</u>	<u>-</u>
Endowment, end of year	<u>13,184</u>	<u>-</u>	<u>23,000</u>	<u>36,184</u>
Total endowment funds at December 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,000</u>	<u>\$ 36,184</u>

*Permanently restricted net assets on the September 30, 2017 on the statement of financial position includes a \$1,000,000 pledge receivable.

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

6. Property and Equipment

Property and equipment consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
HomeFront family campus	\$ 6,042,107	\$ 6,042,107
Leasehold improvements	658,317	562,272
Vehicles	621,483	657,071
Office equipment and furniture	<u>861,955</u>	<u>877,896</u>
	8,183,862	8,139,346
Less accumulated depreciation	<u>1,468,403</u>	<u>1,239,397</u>
Property and Equipment, Net	<u>\$ 6,715,459</u>	<u>\$ 6,899,949</u>

In a quitclaim deed, dated September 30, 2013, between HomeFront, Inc. and the Federal government, HomeFront, Inc. agreed to renovate and maintain the former Navy Base located in Ewing, NJ as its new HomeFront Family Campus homeless shelter. If HomeFront, Inc. ceases to use the property as a homeless shelter, the property will revert back to the Federal government.

The capital costs for this project have been classed as temporarily restricted net assets. Net assets will be released from the restriction annually in amounts equal to the depreciation of all capitalized costs associated with the property.

7. Operating Lease Commitments

The Organization leases various warehouses, office space and apartments from Homes by TLC, Inc. Rent is charged monthly at a rate of \$15,083 for the warehouses, office space and apartments. The terms of all leases between HomeFront, Inc. and Homes by TLC, Inc. are for the fiscal year from October 1, 2016 to September 30, 2017.

All of the leases between HomeFront, Inc. and Homes by TLC, Inc. have been renewed until September 30, 2018.

Future minimum lease payments to Homes by TLC, Inc. are:

September 30, 2018	<u>\$181,000</u>
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HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

8. Mortgage/Loan Obligation

The Organization has executed two contractual agreements in the form of mortgage notes with the New Jersey Department of Community Affairs. Funds in the original amount of \$600,000 have been recognized as a mortgage/loan.

The agreements include a provision for annual forgiveness of debt at the rate of 10% per year, provided the shelter 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 shelter became operational in August 2015 with a certificate of occupancy issued October 2015; therefore, note forgiveness will begin during the year ended September 30, 2017. The unforgiven balance at September 30, 2017 and 2016 was \$540,000 and \$600,000, respectively.

9. Line of Credit

The Organization has negotiated a line of credit agreement with a local bank in the amount of \$400,000. The agreement calls for monthly payments of interest only at the rate of prime plus 1.25% on principal amounts borrowed for the years ended September 30, 2017 and 2016. The loan has a maturity date of May 31, 2018. There was no outstanding balance as of September 30, 2017 and 2016.

During the year ended September 30, 2015, HomeFront obtained a line of credit from a local bank in the amount of \$2,000,000. The agreement calls for monthly payments of interest only at the rate of prime plus 1% with a floor of 4.25%. At September 30, 2016 the rate was 4.5%. The loan has a maturity date of January 1, 2017. The outstanding balance at September 30, 2016 was \$775,000. In December 2016 this loan was modified to decrease the amount of the loan from \$2,000,000 to \$775,000 and extend the maturity date to July 1, 2017 the loan has been paid in full and the account has been closed as of September 30, 2017.

10. Retirement Benefits

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/participant contributions with matching funds contributed by the Organization up to a maximum of 3% of participating employees' eligible compensation. Contributions made during the years ended September 30, 2017 and 2016 totaled \$75,637 and \$70,435.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at September 30:

	<u>2017</u>	<u>2016</u>
HomeFront Family Campus	\$ 5,166,321	\$ 5,399,978
Contributions related to programs	<u>99,547</u>	<u>200,920</u>
	<u>\$ 5,265,867</u>	<u>\$ 5,600,898</u>

HOMEFRONT, INC.
Notes to Financial Statements
Years Ended September 30, 2017 and 2016

12. Permanently Restricted Net Assets

Permanently restricted net assets consist of \$2,048,000 in donations to set up an endowment fund, of which \$1,000,000 is an outstanding pledge. Investment income derived from the endowment is recorded in temporarily restricted net assets until expended or appropriated in accordance with the endowment guidelines. The principle remains permanently restricted.

13. Donated Services and Facilities

HomeFront's mission to end homelessness in Central New Jersey is supported through securing pro-bono or in-kind goods and services for clients. Recorded in the financial statements is \$2,683,412 and \$2,141,800 of meals, food, diapers, personal care products, clothing and toys which are received by HomeFront and distributed to clients, and \$247,058 and \$260,285 of professional services and postage costs, for the years ended September 30, 2017 and 2016. The office and warehouse leases were negotiated at less than fair market value. The difference between the fair market rental and the rent paid, which has not been recorded as in-kind facilities in the statement of activities is \$138,000 for both years ended September 30, 2017 and September 30, 2016.

In addition, vehicles, computers, and household furnishings were received and promptly donated to needy recipients. Because of the difficulty of valuing these items, many of which are secondhand, they have not been recorded in the financial statements. An estimate is that these items exceeded \$1,095,250 and \$897,800 for the years ended September 30, 2017 and 2016.

Also, not recorded in the financial statements is \$2,123,989 and \$2,349,019 of contributed services have not met the requirements for recognition under Generally Accepted Accounting Principles.

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

HOMEFRONT, INC.
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/ Passthrough Grantor Program Title	CFDA Number	Pass-Through Grantor's Number	Grant Award Amount	Funds Received	Total Expenditures
Federal Awards					
U.S. Department of Housing and Urban Development					
NJ Department of Community Affairs					
Emergency Solutions Grant 11/1/16 – 06/15/18	14.231	2017-02149-0086	\$ 88,783	\$ 20,800	\$ 46,317
Emergency Solutions Grant 11/1/15 -06/30/17	14.231	2016-02149-0113-00	236,610	83,845	83,845
					<u>130,162</u>
NJ Department of Community Affairs					
Mercer County					
08/01/17 – 07/31/18	14.267	NJ0368L2F141604	160,738	-	25,194
NJ Department of Community Affairs					
Mercer County					
08/01/16 – 07/31/17	14.267	NJ0368L2F141503	160,738	135,591	135,591
08/01/16 – 07/31/17	14.267	NJ0368L2F141503	160,738	26,080	-
					<u>160,785</u>
U.S. Department of Health and Human Services					
NJ Department of Community Affairs					
Community Services Block Grant					
12/01/16 – 09/30/17	93.569	2016-05136-0257-00	50,000	35,486	50,000
Community Services Block Grant 10/01/15 – 09/30/16	93.569	2015-05136-0284-00	50,000	50,000	-
NJ Department of Community Affairs					
Mercer County – LCC / CSBG					
12/01/16 – 09/30/17	93.569	RESOL2016-51	222,467	79,147	122,467
					<u>172,467</u>
U.S. Department of Labor					
Mercer County – WIB/CWEB Program					
07/01/16 – 06/30/18	17.258	PY2016-298	253,000	98,306	126,634
Mercer County – WIB/CWEB Program					
07/01/16 – 06/30/18	17.258	PY2016-297	385,000	177,644	224,451
Mercer County – WIB/CWEB Program					
07/01-16 – 06/12/18	17.258	PY2014-325	385,000	15,388	-
Mercer County – WIB/CWEB Program					
07/01/16 – 06/30/17	17.258	PY2016-298	125,600	28,194	-
Mercer County – WIB/CWEB Program					
07/01/16 – 06/30/17	17.258	PY2016-297	192,500	42,356	-
					<u>351,085</u>
NJ Department of State					
NJ AmeriCorps Bonner Leader Program					
09/01/16 – 08/31/17	94.006	15AFHNJ00100004 S1750-3	18,180	16,737	16,737
					<u>16,737</u>
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board Program					
Freshstart 11/01/15 – 10/31/16	97.024	598800-016PH33	5,000	5,000	5,000
U.S. Department of Education					
New Jersey Department of Education					
Camden County Education Services Commission					
07/01/16 – 06/30/17	84.196	16BR19-H02	73,237	80,737	73,237
Total				\$	<u>916,973</u>

HOMEFRONT, INC.
Schedule of Expenditures of Federal and State Awards (continued)
Year Ended September 30, 2017

State Grantor Passthrough Grantor Program Title	Pass-Through Grantor's Number	Grant Award Amount	Funds Received	Total Expenditures
State Awards				
New Jersey Department of Children & Families				
Division of Prevention and Community Partnerships				
Resource Network and Family Preservation Center				
Children's Programs				
10/01/16 – 09/30/17	17CSLC	36,510	36,510	36,510
Division of Prevention and Community Partnerships				
Homelessness Prevention Leasing Program				
11/01/16 – 10/31/17	2017-02150-0100-00	113,302	79,028	102,307
Homelessness Prevention Leasing Program				
11/01/15 – 10/31/16	2015-02150-0277-00	113,302	20,600	-
Division of Prevention and Community Partnerships				
Rapid Rehousing				
12/01/16 – 06/30/18	2017-02156-0166-00	400,000	76,413	99,692
Rapid Rehousing				
01/01/15 – 06/30/16	2015-02156-0186-00	195,200	14,467	-
			<u>238,509</u>	
New Jersey Department of Human Services				
Mercer County Department of Human Services				
Homeless Prevention				
07/01/15 – 12/31/17	RES 2015-332	225,000	35,235	49,282
07/01/15 – 06/30/17	RES 2015-332	100,000	22,663	-
			<u>49,282</u>	
New Jersey Department of Health and Senior Services				
Division of HIV/AIDS Services				
HIV/AIDS Housing				
07/01/17 – 06/30/18	AIDS18CTR020	106,967	28,991	38,023
Division of HIV/AIDS Services				
HIV/AIDS Housing				
07/01/17 – 06/30/18	AIDS17CTR041	106,967	86,436	86,436
			<u>124,459</u>	
Total			<u>\$</u>	<u>412,250</u>

HOMEFRONT, INC.

Notes to Schedules of Expenditures of Federal and State Awards *Year Ended June 30, 2017*

1. General information

The accompanying schedule of expenditures of federal and state awards presents the activities in all the federal and state programs of HomeFront. All federal and state awards received directly from federal and state as well as financial assistance passed through other governmental agencies or nonprofit organizations are included on the schedule.

2. Basis of accounting

The accompanying schedule of expenditures of federal and state awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal and state funding agencies due to those reports being submitted on either a cash or a modified accrual basis of accounting.

3. Relationship to basic financial statements

Federal and state award expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal and state awards due to program expenditures exceeding grant or contract budget limitations, organization matching or capitalization policies which are required under accounting principles generally accepted in the United States of America but differ under budgetary guidelines.

4. Indirect cost rate

HomeFront has elected not to use the 10% de minimis cost rate as allowed under uniform guidance.

See independent auditors' report on page 1.

Civale, Silvestri, Alfieri, Martin & Higgins, LLC

CERTIFIED PUBLIC ACCOUNTANTS

a member of

Hamilton Financial Group, LLC
FINANCIAL AND INSURANCE SERVICES

Albert V. Silvestri, CPA/PFS

James S. Alfieri, CPA

Peter S. Martin, CPA, CVA, CFF

Robert J. Higgins, CPA, RMA

Vincent Civale, CPA

Patricia A. Civale, CPA

To the Board of Trustees of
HomeFront, Inc.
Trenton, New Jersey

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

We have audited, in accordance with the 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., (a nonprofit organization) which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and changes in net assets, 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 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HomeFront, Inc.'s internal control over financial reporting (internal control) to determine the 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 HomeFront, Inc.'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.

To the Board of Trustees of
HomeFront, Inc.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HomeFront, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

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.

HAMILTON FINANCIAL GROUP, LLC

March 30, 2018
Mercerville, New Jersey

Civale, Silvestri, Alfieri, Martin & Higgins, LLC

CERTIFIED PUBLIC ACCOUNTANTS

a member of

Hamilton Financial Group, LLC
FINANCIAL AND INSURANCE SERVICES
To the Board of Trustees of
HomeFront, Inc.
Trenton, New Jersey

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08-OMB

Report on Compliance for Each Major Federal Program

We have audited HomeFront, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the New Jersey OMB, *State Grants Compliance Supplement* that could have a direct and material effect on each of HomeFront, Inc.'s major federal and state programs for the year ended September 30, 2017. HomeFront, Inc.'s major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of HomeFront, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; and the State of New Jersey Department of Treasury, OMB Circular 15-08-OMB and Policy Circular P7.06. Those standards, uniform guidance, 15-08-OMB and Circular P7.06, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HomeFront, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees of
HomeFront, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of HomeFront, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, HomeFront, Inc. complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

Management of HomeFront, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered HomeFront, Inc. internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey Department of Treasury 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HomeFront, Inc.'s 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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 and 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 and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged in governance.

To the Board of Trustees of
HomeFront, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

HAMILTON FINANCIAL GROUP, LLC

March 30, 2018
Mercerville, New Jersey

HOMEFRONT, INC.
Schedule of Prior Year Audit Findings
Year Ended September 30, 2017

I. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the HomeFront, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of HomeFront, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major programs were disclosed.
5. The auditors' report on compliance for major federal and state award programs for HomeFront, Inc. expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

<u>Awarding Agency</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Labor			
Mercer County – WIB/CWEB			
07/01/16 – 06/30/18	17.258	PY2016-298	\$ 126,634
07/01/16 – 06/30/18	17.258	PY2016-297	224,451
			<u>\$ 351,085</u>

8. The dollar threshold for distinguishing Type A and Type B programs was \$750,000.
9. HomeFront, Inc. was determined to be a low risk auditee.

II. Summary of Findings Related to Government Auditing Standards

No findings noted.

III. Summary of Finding and Questioned Costs Related to Uniform Guidance

No findings or questioned costs noted.

HOMEFRONT, INC.
Schedule of Prior Year Audit Findings
Year Ended September 30, 2017

NONE

HOMEFRONT, INC.
Schedule of Budgeted and Incurred Costs
New Jersey Department of Health and Senior Services
Grant #AIDS17CTR041
Year Ended September 30, 2017

<u>Category</u>	<u>Grant Funds</u>			
	<u>Final Budget</u>	<u>Report Results</u>	<u>Audited Results</u>	<u>Questioned Costs</u>
Personnel				
Salaries	\$ 58,158	\$ 43,619	\$ 43,619	\$ -
Fringe benefits	16,110	12,083	12,083	-
Total	<u>74,268</u>	<u>55,702</u>	<u>55,702</u>	<u>-</u>
Consultants	-	-	-	-
Other costs				
Office expense and related cost	1,000	750	750	-
Program expense	27,500	27,134	27,134	-
Staff training and education cost	899	375	375	-
Travel, conferences and meetings	300	225	225	-
Equipment and other capital expenses	-	-	-	-
Facilities	3,000	2,250	2,250	-
Subtotal	<u>32,699</u>	<u>30,734</u>	<u>30,734</u>	<u>-</u>
Total direct cost	<u>106,967</u>	<u>86,436</u>	<u>86,436</u>	<u>-</u>
Indirect costs	-	-	-	-
Total costs	<u>106,967</u>	<u>86,436</u>	<u>86,436</u>	<u>-</u>
Less:				
Program income	-	-	-	-
Net grant funds	<u>\$ 106,967</u>	<u>\$ 86,436</u>	<u>\$ 86,436</u>	<u>\$ -</u>

HOMEFRONT, INC.
Schedule of Budgeted and Incurred Costs
New Jersey Department of Health and Senior Services
Grant #AIDS18CTR020
Year Ended September 30, 2017

<u>Category</u>	<u>Grant Funds</u>			
	<u>Final Budget</u>	<u>Report Results</u>	<u>Audited Results</u>	<u>Questioned Costs</u>
Personnel				
Salaries	\$ 58,156	\$ 14,539	\$ 14,539	\$ -
Fringe benefits	16,109	4,027	4,027	-
Total	<u>74,265</u>	<u>18,566</u>	<u>18,566</u>	<u>-</u>
Consultants	-	-	-	-
Other costs				
Office expense and related cost	1,000	250	250	-
Program expense	27,511	18,117	18,117	-
Staff training and education cost	899	263	263	-
Travel, conferences and meetings	292	77	77	-
Equipment and other capital expenses	-	-	-	-
Facilities	3,000	750	750	-
Subtotal	<u>32,702</u>	<u>19,457</u>	<u>19,457</u>	<u>-</u>
Total direct cost	106,967	38,023	38,023	-
Indirect costs	-	-	-	-
Total costs	<u>106,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less:				
Program income	-	-	-	-
Net grant funds	<u>\$ 106,967</u>	<u>\$ 38,023</u>	<u>\$ 38,023</u>	<u>\$ -</u>