

HOMEFRONT, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019 AND 2018



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

HOMEFRONT, INC.

SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of HomeFront, Inc. (“Organization”), a New Jersey nonprofit corporation, which comprise the statements of financial position as of September 30, 2019 and 2018, 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 misstatements, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the Organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HomeFront, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board Accounting Standard Update, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2, in the year ended September 30, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards on pages 26 and 27, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, are presented for purposes of additional analysis and are not required parts 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 January 21, 2020 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 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.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
January 21, 2020

HOMEFRONT, INC.
STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 930,826	\$ 366,922
Accounts receivable, net of allowance of \$24,528 and \$0	479,789	398,177
Accounts receivable - Homes by TLC	126,333	189,566
Grants and contracts receivable	510,167	443,071
Pledges receivable, current portion	316,852	270,000
Prepaid expenses	98,502	98,363
Total Current Assets	2,462,469	1,766,099
INVESTMENTS	2,082,725	1,577,877
PLEDGES RECEIVABLE, net of current portion and discount	365,620	478,325
PROPERTY AND EQUIPMENT, NET	6,154,925	6,452,139
Total Other Assets	8,603,270	8,508,341
	\$ 11,065,739	\$ 10,274,440
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 614,522	\$ 383,800
Deferred income	173,951	31,926
Forgivable mortgages, current maturities	60,000	60,000
Total Current Liabilities	848,473	475,726
LONG-TERM LIABILITIES:		
Forgivable mortgages, net of current maturities	360,000	420,000
Total Liabilities	1,208,473	895,726
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	2,523,385	2,199,506
With donor restrictions	7,333,881	7,179,208
Total Net Assets	9,857,266	9,378,714
	\$ 11,065,739	\$ 10,274,440

HOMEFRONT, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Federal and state grants	\$ 2,081,805	\$ -	\$ 2,081,805	\$ 1,727,102	\$ -	\$ 1,727,102
Corporate and foundation grants	933,677	-	933,677	837,915	-	837,915
Program fees	2,048,298	-	2,048,298	2,192,216	-	2,192,216
Contributions	2,950,098	479,777	3,429,875	2,104,799	198,544	2,303,343
Investment income	59,224	2,097	61,321	100,765	-	100,765
In-kind contributions	3,879,673	-	3,879,673	4,003,131	-	4,003,131
Other income	381,179	-	381,179	758,548	-	758,548
Maintenance fees - Homes by TLC, Inc.	118,625	-	118,625	110,600	-	110,600
Social service fees - Homes by TLC, Inc.	122,275	-	122,275	108,560	-	108,560
Property management fees - Homes by TLC, Inc.	100,250	-	100,250	89,400	-	89,400
Subtotal	12,675,104	481,874	13,156,978	12,033,036	198,544	12,231,580
Net Assets Released from Restrictions	327,201	(327,201)	-	333,204	(333,204)	-
Total Revenues, Gains and Other Support	13,002,305	154,673	13,156,978	12,366,240	(134,660)	12,231,580
EXPENSES:						
Program services	11,509,663	-	11,509,663	11,194,426	-	11,194,426
Fundraising	537,814	-	537,814	393,263	-	393,263
Management and general	630,949	-	630,949	568,555	-	568,555
Total Expenses	12,678,426	-	12,678,426	12,156,244	-	12,156,244
CHANGES IN NET ASSETS	323,879	154,673	478,552	209,996	(134,660)	75,336
NET ASSETS - Beginning of year	2,199,506	7,179,208	9,378,714	1,989,510	7,313,868	9,303,378
NET ASSETS - End of year	\$ 2,523,385	\$ 7,333,881	\$ 9,857,266	\$ 2,199,506	\$ 7,179,208	\$ 9,378,714

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

HOMEFRONT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	Program Services				Fundraising	Management and General	Total Expenses
	Prevention/ Emergency Services	Client Support Services	Housing	Total			
Personnel							
Salaries and wages	\$ 1,282,485	\$ 1,647,016	\$ 403,370	\$ 3,332,871	\$ 131,596	\$ 429,380	\$ 3,893,847
Payroll taxes and benefits	308,958	587,148	122,918	1,019,024	44,147	125,070	1,188,241
Total Personnel	1,591,443	2,234,164	526,288	4,351,895	175,743	554,450	5,082,088
Direct client assistance							
Shelter	567,976	-	167,291	735,267	-	-	735,267
Food	282,636	75,411	479	358,526	95	268	358,889
Transportation	49,676	59,231	6,883	115,790	2,057	5,659	123,506
Counseling services	19,213	1,353	331	20,897	125	353	21,375
Direct client needs	142,189	45,063	686	187,938	809	-	188,747
Total Direct Client Assistance	1,061,690	181,058	175,670	1,418,418	3,086	6,280	1,427,784
In kind services, food, and facilities	-	3,879,673	-	3,879,673	-	-	3,879,673
Repairs and maintenance	353,512	74,872	29,344	457,728	3,792	10,720	472,240
Supplies - program, office and other	116,627	98,131	13,479	228,237	30,269	13,033	271,539
Utilities	100,455	33,556	3,678	137,689	592	1,034	139,315
Security	159,048	-	-	159,048	-	-	159,048
Consultants	17,617	77,985	16,648	112,250	74,977	15,262	202,489
Insurance	53,902	72,610	6,947	133,459	2,332	6,606	142,397
Printing	215	8,580	276	9,071	105,017	294	114,382
Fundraising	-	-	-	-	88,099	-	88,099
Telephone	24,511	38,071	5,197	67,779	1,958	3,493	73,230
Rent to Homes by TLC, Inc.	77,192	15,756	54,179	147,127	142	3,931	151,200
Accounting/legal	3,221	16,887	4,136	24,244	1,554	4,412	30,210
Miscellaneous	6,787	7,638	14,311	28,736	9,960	2,358	41,054
Postage	324	1,597	389	2,310	37,392	407	40,109
Staff development	8,027	14,893	3,606	26,526	2,901	3,810	33,237
Bad debt	21,418	3,005	105	24,528	-	-	24,528
Total Before Depreciation	3,595,989	6,758,476	854,253	11,208,718	537,814	626,090	12,372,622
Depreciation	48,500	252,445	-	300,945	-	4,859	305,804
Total Expenses	\$ 3,644,489	\$ 7,010,921	\$ 854,253	\$ 11,509,663	\$ 537,814	\$ 630,949	\$ 12,678,426

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

HOMEFRONT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services				Fundraising	Management and General	Total Expenses
	Prevention/ Emergency Services	Client Support Services	Housing	Total			
Personnel							
Salaries and wages	\$ 1,278,345	\$ 1,651,254	\$ 359,551	\$ 3,289,150	\$ 91,695	\$ 391,118	\$ 3,771,963
Payroll taxes and benefits	308,618	553,853	96,994	959,465	25,175	107,383	1,092,023
Total Personnel	1,586,963	2,205,107	456,545	4,248,615	116,870	498,501	4,863,986
Direct client assistance							
Shelter	440,942	4,006	246,913	691,861	-	877	692,738
Food	263,932	66,525	73	330,530	-	-	330,530
Transportation	83,280	95,834	6,175	185,289	2,674	5,794	193,757
Counseling services	22,704	834	174	23,712	45	193	23,950
Direct client needs	15,484	13,377	195	29,056	39	-	29,095
Total Direct Client Assistance	826,342	180,576	253,530	1,260,448	2,758	6,864	1,270,070
In kind services, food, and facilities	-	4,003,131	-	4,003,131	-	-	4,003,131
Repairs and maintenance	324,112	29,506	5,430	359,048	621	2,651	362,320
Supplies - program, office and other	76,155	97,077	12,025	185,257	32,867	13,164	231,288
Utilities	94,028	36,450	3,364	133,842	374	1,356	135,572
Security	159,192	-	-	159,192	-	-	159,192
Consultants	18,607	44,595	24,274	87,476	9,474	10,466	107,416
Insurance	51,929	78,516	6,903	137,348	1,603	6,048	144,999
Printing	1,320	22,330	595	24,245	79,120	659	104,024
Fundraising	-	-	-	-	103,561	-	103,561
Telephone	25,317	43,221	5,057	73,595	1,915	3,489	78,999
Rent to Homes by TLC, Inc.	83,063	16,508	47,944	147,515	128	3,557	151,200
Accounting/legal	7,271	13,282	7,667	28,220	1,990	8,489	38,699
Miscellaneous	7,409	11,078	2,509	20,996	21,190	1,440	43,626
Postage	1,383	7,264	1,461	10,108	18,950	1,617	30,675
Staff development	6,926	7,636	1,385	15,947	1,842	1,384	19,173
Total Before Depreciation	3,270,017	6,796,277	828,689	10,894,983	393,263	559,685	11,847,931
Depreciation	43,332	256,111	-	299,443	-	8,870	308,313
Total Expenses	\$ 3,313,349	\$ 7,052,388	\$ 828,689	\$ 11,194,426	\$ 393,263	\$ 568,555	\$ 12,156,244

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

HOMEFRONT, INC.

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2019	2018
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 478,552	\$ 75,336
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	305,804	308,313
Amortization of discount on long-term pledges receivable	(12,295)	(21,809)
Forgiven mortgage principal	(60,000)	(60,000)
Unrealized gain on investments	(42,969)	(84,646)
Investment income reinvested	(14,227)	(6,961)
Change in allowance for doubtful accounts	24,528	-
Changes in certain assets and liabilities:		
Accounts receivable	(106,140)	8,481
Accounts receivable - Homes by TLC	63,233	61,242
Grants and contracts receivable	(67,096)	(189,051)
Pledges receivable	78,148	296,333
Prepaid expenses	(139)	(52,081)
Accounts payable and accrued expenses	230,722	32,600
Deferred income	142,025	24,820
Net Cash Provided by Operating Activities	<u>1,020,146</u>	<u>392,577</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(8,590)	(44,993)
Purchase of investments	(447,652)	(355,000)
Net Cash Used for Investing Activities	<u>(456,242)</u>	<u>(399,993)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	563,904	(7,416)
CASH AND CASH EQUIVALENTS:		
Beginning of year	366,922	374,338
End of year	<u>\$ 930,826</u>	<u>\$ 366,922</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Noncash contributions	<u>\$ 3,879,673</u>	<u>\$ 4,003,131</u>

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION:

Since its foundation nearly 30 years ago, HomeFront, Inc. (“HomeFront” or “Organization”) has worked to break the cycle of poverty and end homelessness in Central New Jersey and has served tens of thousands of Mercer County families. Started by volunteers providing meals for families living in welfare motels, the Organization has since developed a holistic array of services for clients who are either homeless or at high risk of becoming so.

HomeFront’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.

HomeFront organizes its work around four core beliefs: 1) that families deserve safe, secure housing; 2) that with the right tools, all families can succeed; 3) that families need basic necessities to live lives with dignity; and 4) that children nurtured by love and support will grow on a path to realizing life’s possibilities.

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. HomeFront’s comprehensive service offerings include case management, homelessness prevention, emergency food, free clothing and household goods at the HomeFront FreeStore, affordable housing searches, family literacy, and 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.

One of HomeFront’s defining characteristics is the centrality of community collaboration. Volunteers and partners are not just helpers; HomeFront has carefully nurtured invaluable community connections that play a key role in helping our homeless families become - and remain - independent. 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 4,400 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 52,000 hours are volunteered each year by individuals, community and corporate groups. 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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION: (Continued)

In 2015, HomeFront opened its Family Campus, a centralized social services campus where the Organization can both lessen the immediate pain of homelessness by providing shelter and sustenance and also offer families access to a comprehensive suite of tools to enable them to move on to self-sufficiency and economic and personal sustainability. HomeFront has created a village of healing and hope that features a state-of-the-art family shelter, a technology-equipped education and workforce development center, a licensed childcare center, our healing therapeutic art program, ArtSpace, a well-stocked and well-loved library for young and old, a fully-equipped teaching kitchen, a wellness center, and regularly scheduled life-enhancing and enriching activities available through our community partners, such as music, theater, yoga and physical fitness programs.

HomeFront is supported primarily through donor, financial and in-kind contributions, together with government, corporation and foundation grants. HomeFront, Inc.'s expenditures related to providing various programs have been classified into functional cost categories as follows:

Prevention/Emergency Services

It is HomeFront's commitment to 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 single mothers, fathers, and two-parent families) where parents learn the skills to enable them to be self-sufficient and 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 and security deposits to enable Mercer County residents at risk of eviction to maintain their housing and to be spared 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.

Donated goods and services provided include:

- Furnish The Future – donated furniture and appliances, available at no cost to clients.
- FreeStore – donated clothing and household items, available at no cost to clients.
- Diaper Resource Center – donated diapers, wipes, and feminine hygiene products, available at no cost to clients.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION: (Continued)

Special Needs

HomeFront provides emergency and ongoing housing support for families in which one member is HIV-positive, is mentally or physically disabled or is battling an opioid addiction. This housing comes with intensive case management and a rich array of support services that are tailored to address the medical and social challenges the residents are facing.

Client Support Services

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 addition 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
- Training and certifications including Microsoft Office, ServSafe, customer service and SORA security officer training
- Employment Readiness training and job placement counseling
- Entrepreneurship training through the ArtSpace and SewingSpace 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 school the right way

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION: (Continued)

- Year-round field trips
- Family holiday events
- Christmas and birthday presents - over 3,500 children receive specific personal gifts.

Emergency Food Panty

HomeFront prepares and provides food bags for hungry families in Mercer County. Anyone in need can come to HomeFront and receive a food bag. Over 18,500 individuals were fed this year and over 3,000 families receive Christmas and Thanksgiving food baskets each year.

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.

Traditional 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 – families receive ongoing rent subsidies and support services.

Permanent Service-Enriched Affordable Housing

HomeFront provides case management and support services for over 125 working poor families living in permanent, affordable housing in Mercer County (rents are no more than 30% of income).

Management and General

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.

Fundraising

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

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Reporting for Not-for-Profit Entities:

The Organization adopted Financial Accounting Standards Board (“FASB”), *Presentation of Financial Statements of Not-for-Profit Entities*, in the year ended September 30, 2019. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for Board-designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Basis of Accounting:

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.

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also included in this classification are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash consists of funds maintained in bank accounts. Cash equivalents include short-term, highly liquid money market investments with maturity dates of three months or less on the date of acquisition.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accounts Receivable:

Accounts receivable consist primarily of program fees. The Organization utilizes the reserve method of accounting for doubtful accounts. The reserves are based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. At September 30, 2019, the allowance for doubtful accounts was \$24,528. At September 30, 2018, no allowance was deemed necessary.

Grants Receivable:

Grants receivable are recorded at the amount billed to funding agencies. The Organization utilizes the reserve method of accounting for doubtful accounts. The reserves are based on historical experience and management's evaluation of outstanding grants receivable at the end of each year. At September 30, 2019 and 2018, no allowance was deemed necessary.

Fair Value Measurements:

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value. The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

The fair value of investments are as follows:

Princeton Area Community Foundation – Valued on a monthly basis by the Princeton Area Community Foundation based upon underlying values on each fund within the portfolio.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Property and equipment is recorded at cost on the date of acquisition or at the fair market value of the asset based on values of comparable assets at the date of gift for donations. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 40 years. When assets are retired or otherwise disposed of, the costs and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the change in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments greater than \$1,000 that extend the useful lives of the assets are capitalized.

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.

Refundable Advances:

Refundable advances represent amounts due back to agencies for expenses from contracts that were not fulfilled.

Deferred Revenue:

The Organization records amounts received from funding sources in advance of performing the required services as deferred revenue.

Revenue and Support Recognition:

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

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support 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. However, the receipt of contributions with donor restrictions which expire or are otherwise satisfied within the period of receipt are reported as revenues without donor restrictions in the statement of activities and changes in net assets.

The Organization generally accounts for those grant revenues that are determined to be exchange transactions in the statements 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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue and Support Recognition: (Continued)

Unrestricted revenues 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. Revenues from these sources are recognized as earned.

Contributions of Donated Services and Gifts In-Kind:

Contributed services and gifts in-kind 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:

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended September 30, 2019 and 2018. At September 30, 2019 and 2018, there were no significant income tax uncertainties.

Use of Estimates:

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Recent Accounting Pronouncements – Revenue from Contracts with Customers:

The FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive, new, revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The pronouncement is effective for annual periods beginning after December 15, 2018. It will be effective for the Organization for the year ended September 30, 2020. The Organization is currently evaluating the effect the new pronouncement will have on its financial statements.

Recent Accounting Pronouncements – Leases:

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2020. It will be effective for the Organization for the year ended September 30, 2022. The Organization is currently evaluating the effect the new pronouncement will have on its financial statements.

Reclassification:

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after September 30, 2019 through January 21, 2020 the date the financial statements were available to be issued.

NOTE 3 - UNCONDITIONAL AND CONDITIONAL PLEDGES RECEIVABLE:

Pledges receivable represent unconditional promises to give, which have been made by donors but have not yet been received by the Organization. Pledges that will not be received in the subsequent year have been discounted using an estimated rate of return that could be earned if such contributions had been made in the current year. The Organization considers contributions receivable at September 30, 2019 and 2018, fully collectible. Accordingly, no allowance for uncollectible pledges has been established.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 3 - UNCONDITIONAL AND CONDITIONAL PLEDGES RECEIVABLE: (Continued)

Total pledges receivable were as follows:

	September 30,	
	2019	2018
Receivable in less than one year	\$ 316,852	\$ 270,000
Receivable in one to five years:		
Total	375,000	500,000
Less: Discount to net present value	(9,380)	(21,675)
Net long-term pledges receivable	365,620	478,325
Total Pledges Receivable	<u>\$ 682,472</u>	<u>\$ 748,325</u>

During the year ended September 30, 2019, a donor committed to match every dollar contributed towards the Organization's endowment campaign up to \$500,000. Endowment contributions raised since the donor's commitment through September 30, 2019, totaled \$191,852, and a match in this amount is included in pledges receivable at September 30, 2019.

NOTE 4 - INVESTMENTS:

Fair value measurements of investments as of September 30, 2019, are as follows:

	Level 1	Level 2	Level 3	Total
Princeton Area Community Foundation Pooled Funds	\$ -	\$ -	\$ 2,082,725	\$ 2,082,725

Fair value measurements of investments as of September 30, 2018, are as follows:

	Level 1	Level 2	Level 3	Total
Princeton Area Community Foundation Pooled Funds	\$ -	\$ -	\$ 1,577,877	\$ 1,577,877

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 4 - INVESTMENTS: (Continued)

The following table provides further details of Level 3 fair value measurements:

	September 30,	
	2019	2018
Balance, beginning of year	\$ 1,577,877	\$ 1,131,270
Contributions	447,652	355,000
Interest and dividend income, net of fees	14,227	6,961
Unrealized gains	42,969	84,646
Balance, end of year	<u>\$ 2,082,725</u>	<u>\$ 1,577,877</u>

Unrealized gains are included in investment income in the statements of activities and changes in net assets.

NOTE 5 - ENDOWMENTS:

Endowment Funds:

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, 2019 and 2018, 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:

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5 - ENDOWMENTS: (Continued)

- (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

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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 5 - ENDOWMENTS: (Continued)

The following table provides information regarding the change in endowment net assets for the year ended September 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, October 1, 2018	\$ 174,877	\$ 1,403,000	\$ 1,577,877
Endowment contributions	-	447,652	447,652
Investment return, net	-	57,196	57,196
Amounts appropriated for expenditure	55,100	(55,100)	-
Endowment net assets, September 30, 2019	<u>\$ 229,977</u>	<u>\$ 1,852,748</u>	<u>\$ 2,082,725</u>

The following table provides information regarding the change in endowment net assets for the year ended September 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, October 1, 2017	\$ 83,270	\$ 1,048,000	\$ 1,131,270
Endowment contributions	-	355,000	355,000
Investment return, net	-	91,607	91,607
Amounts appropriated for expenditure	91,607	(91,607)	-
Endowment net assets, September 30, 2018	<u>\$ 174,877</u>	<u>\$ 1,403,000</u>	<u>\$ 1,577,877</u>

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment are comprised of the following:

	September 30,	
	2019	2018
Building and building improvements		
– HomeFront Family Campus	\$ 6,042,107	\$ 6,042,107
Leasehold improvements	659,818	659,818
Vehicles	655,831	655,831
Office furniture and equipment	879,688	871,098
	<u>8,237,444</u>	<u>8,228,854</u>
Less: Accumulated depreciation	2,082,519	1,776,715
Property and Equipment, Net	<u>\$ 6,154,925</u>	<u>\$ 6,452,139</u>

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, NJ 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 each year.

NOTE 7 - LINE OF CREDIT:

The Organization has a \$250,000 line of credit with a bank available through May 31, 2020. The line calls for monthly payments of interest only at the bank's prime rate plus 1.25% (6.25% at September 30, 2019). There were no outstanding borrowings at September 30, 2019 and 2018.

NOTE 8 - FORGIVEABLE MORTGAGES PAYABLE:

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 loan payable.

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, loan forgiveness began during the year ended September 30, 2017. The unforgiven balance at September 30, 2019 and 2018 was \$420,000 and \$480,000, respectively.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 8 - FORGIVEABLE MORTGAGES PAYABLE: (Continued)

Mortgage forgiveness is as follows:

Year Ending September 30,	
2020	\$ 60,000
2021	60,000
2022	60,000
2023	60,000
2024	60,000
Thereafter	120,000
	<u>\$ 420,000</u>

NOTE 9 - 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, 2019 and 2018 were \$73,437 and \$76,848, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS:

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

	September 30,	
	2019	2018
HomeFront Family Campus	\$ 4,699,007	\$ 4,932,664
Endowment fund assets	1,852,748	1,403,000
Pledges receivable for endowment	691,852	750,000
Contributions related to programs	90,274	93,544
	<u>\$ 7,333,881</u>	<u>\$ 7,179,208</u>
Total Net Assets With Donor Restrictions		

Net assets of \$327,201 and \$333,204 were released from donor restrictions during the years ended September 30, 2019 and 2018, respectively, when time and/or purpose restrictions were accomplished.

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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 11 - IN-KIND CONTRIBUTIONS:

HomeFront’s mission to end homelessness in Central New Jersey is supported through securing pro-bono or in-kind goods and services for clients. Additionally, the office and warehouse leases were negotiated at less than fair market value. The difference between the fair market rental and the rent paid has been recorded as in-kind facilities in the statements of activities and changes in net assets.

In-kind contributions consist of the following:

	September 30,	
	2019	2018
Meals, food, diapers, personal care products, clothing, and toys distributed to clients	\$ 2,136,523	\$ 2,347,531
Vehicles, computers, household furnishings, and other supplies distributed to clients	1,275,850	1,220,400
Professional services and postage	229,500	197,400
Rent below fair market value	237,800	237,800
Total In-kind Contributions	<u>\$ 3,879,673</u>	<u>\$ 4,003,131</u>

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 52,000 hours in each of the years ended September 30, 2019 and 2018. If such volunteer hours were valued, they would approximate \$1,260,000 for each of the years ended September 30, 2019 and 2018.

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

NOTE 12 - FUNCTIONAL EXPENSES:

Program services, management and general and fundraising expenses have been recorded in the statements of activities and changes in net assets and in the statements of functional expenses based on both a direct costing method for those expenses directly attributable to a particular program or special event or on an allocation basis for joint costs attributable to all functions. Salaries and wages are allocated based on time studies. Payroll taxes and benefits, certain client assistance expenses, accounting/legal, consultants, liability insurance, postage, printing, repairs and maintenance, staff development, supplies – program, office, and other, telephone, office rent, and miscellaneous expenses are allocated based on total salaries charged to the various functional categories.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 13 - RELATED-PARTY TRANSACTIONS:

Homes by TLC, Inc. and HomeFront Inc. are separate entities which 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, 2019 and 2018, these amounts totaled approximately \$341,000 and \$309,000, respectively.

Homes by TLC, Inc. also rents space at its properties to HomeFront, Inc. under an operating lease which expired on September 30, 2019. For each of the years ended September 30, 2019 and 2018, rent expense totaled \$151,200. All of the leases between HomeFront, Inc. and Homes by TLC, Inc. have been renewed until September 30, 2020.

As of September 30, 2019 and 2018, the balance due from Homes by TLC, Inc. was \$126,333 and \$189,566, respectively, which related to transactions with the Siloam Homes properties.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially expose the Organization to concentrations of credit risk and market risk consist of cash and cash equivalents. The Organization maintains its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may be in excess of federally insured limits.

NOTE 15 - VULNERABILITY OF CONCENTRATIONS OF GRANT CONTRACTS:

The Organization received approximately 16% and 14% of its total support from federal and state government agencies during the years ended September 30, 2019 and 2018, respectively. 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.

NOTE 16 - TAX RETURNS:

At September 30, 2019, all required tax returns have been filed.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 17 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets at September 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

Cash and cash equivalents	\$ 930,826
Accounts receivable, net	479,789
Grants and contracts receivable	510,167
Pledges receivable, current	<u>316,852</u>
Total Financial Assets	<u>2,237,634</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(407,125)
Estimated releases from donor restrictions	<u>407,125</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,237,634</u>

The Organization has goals to maintain financial assets sufficient to meet operating expenses as they become due throughout the year. The Organization is currently engaged in a capital campaign to raise additional funds to support its mission. As of September 30, 2019, the Organization has received future commitments of approximately \$692,000 in connection with the campaign. Additionally, the Organization has a \$250,000 line of credit available for working capital.

NOTE 18 - COMMITMENTS AND CONTINGENCIES:

The Organization, from time to time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Organization's management, any liability resulting from such litigation would not be material to the Organization's financial position or results of operations.

HOMEFRONT, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2019

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through NJ Department of Community Affairs					
Homeless Prevention & Rapid Re-Housing 2 2019	14.231	12/01/18 - 06/30/20	2019-02156-0334-00	\$ 311,000	\$ 124,310
Emergency Solutions Grant	14.231	12/01/18 - 06/30/20	2019-02149-0339-00	68,044	41,421
City of Trenton - Emergency Solutions Grant	14.231	07/01/18 - 06/30/20	N/A	10,000	10,000
				<u>389,044</u>	<u>175,731</u>
Mercer County Leasing 2011	14.267	08/01/18 - 07/31/19	NJ0368L2F141705	164,757	137,135
Mercer County Leasing 2011	14.267	08/01/19 - 07/31/20	NJ0368L2F141806	164,757	24,229
				<u>329,514</u>	<u>161,364</u>
Total U.S. Department of Housing and Urban Development				<u>718,558</u>	<u>337,095</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through NJ Department of Community Affairs					
Mercer County - LCC / CSBG	93.569	01/01/18 -12/31/18	RESOL2018-119	100,000	25,000
Mercer County - LCC / CSBG	93.569	01/01/19 -12/31/19	RESOL2018-504	106,600	79,950
				<u>206,600</u>	<u>104,950</u>
U.S. DEPARTMENT OF LABOR					
Mercer County - WIB/CWEB Program	17.258	07/01/18 - 06/30/19	PY2018-271	215,236	174,386
	17.258	07/01/19 - 06/30/20	PY2018-271	240,000	53,965
	17.258	07/01/18 - 06/30/19	PY2018-270	224,287	173,673
	17.258	07/01/19 - 06/30/20	PY2018-270	225,000	54,740
				<u>904,523</u>	<u>456,764</u>
U.S. DEPARTMENT OF EDUCATION					
Passed through New Jersey Department of Education					
Pemberton Township School District	84.196	07/01/18 - 06/30/19	19-BR23-H02	58,635	50,211
Passed through New Jersey Department of State					
NJ Americorps Bonner Leader Program	94.006	09/01/17 - 08/31/19	S1850-3	18,496	2,942
				<u>77,131</u>	<u>53,153</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Emergency Food and Shelter National Board	97.024	02/01/18 - 01/31/19	N/A	5,000	5,000
				<u>5,000</u>	<u>5,000</u>
Total Federal Awards				<u>1,911,812</u>	<u>956,962</u>

HOMEFRONT, INC.**SUPPLEMENTARY INFORMATION****SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)****YEAR ENDED SEPTEMBER 30, 2019**

Grantor / Pass-through Grantor / Program Title	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures
NEW JERSEY DEPARTMENT OF CHILDREN & FAMILIES				
Division of Child Protection and Permanency Resource Network and Family Preservation Center Children's Program	10/01/18 - 09/30/19	19CSLC	36,510	36,510
NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES				
Mercer County Department of Human Services Homelessness Prevention	01/01/18 - 12/31/19	RES #2018-118	145,338	82,998
Division of HIV/AIDS Services HIV/AIDS Housing	07/01/18 - 06/30/19	AIDS19CTR020	206,967	159,146
HIV/AIDS Housing	07/01/19 - 06/30/20	DHST20CTR004	156,967	45,747
			363,934	204,893
NEW JERSEY DEPARTMENT OF HEALTH				
Division of Health and Family Services Passed through Capital Health Systems For My Baby and Me	07/01/18 - 12/31/18	DFHS181O5005	109,908	109,908
For My Baby and Me	01/01/19 - 06/30/19	to DFHS181O5005(2)	221,293	221,293
			331,201	331,201
NEW JERSEY DEPARTMENT OF HUMAN SERVICES				
Division of Mental Health & Addiction Services Passed through Capital Health Systems For My Baby and Me	07/01/19 - 06/30/20	20-850-ADA-0	612,056	115,554
NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS				
Homelessness Prevention & Rapid Re-Housing 2 2019	12/01/18 - 06/30/20	2019-02156-0334-00	89,000	30,459
Homelessness Prevention Rental Assistance	02/01/18 - 12/31/19	2018-02150-0196-06	460,587	260,108
Prevention of Homelessness 2019	08/01/19 - 07/31/20	2019-02150-0592-00	113,302	3,120
Shelter Support - 2014	12/09/15 - 12/09/25	2014-02149-0129-00	300,000	30,000
Shelter Support - 2015	12/09/15 - 12/09/25	2015-02149-0199-00	300,000	30,000
			1,262,889	353,687
Total State Awards			2,751,928	1,124,843
Total Federal and State Awards			\$ 4,663,740	\$ 2,081,805

HOMEFRONT, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Organization and is presented on the accrual basis of accounting. The information in the schedule 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* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended September 30, 2019, the Organization did not provide any funds relating to their federal and state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

During the year ended September 30, 2019, the Organization did not elect to use the de minimis cost rate when allocating indirect costs to federal and state programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of September 30, 2019, the Organization did not have any federal loan or loan guarantee programs.

HOMEFRONT, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETED AND INCURRED COSTS - GRANT #AIDS19CTR020

NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES

FOR THE GRANT PERIOD ENDING JUNE 30, 2019

Category	Final Approved Budget	2018 Expenditure Reports	2019 Expenditure Reports	Cumulative Expenditures	Audited Expenditures	Questioned Costs
Personnel:						
Salary	\$ 58,156	\$ 14,539	\$ 43,617	\$ 58,156	\$ 58,156	\$ -
Fringe benefits	16,109	4,027	12,082	16,109	16,109	-
	74,265	18,566	55,699	74,265	74,265	-
Consultants	-	-	-	-	-	-
Other costs:						
Office expense and related cost	1,000	250	750	1,000	1,000	-
Program expense	127,511	28,182	99,329	127,511	127,511	-
Staff training and education cost	899	-	899	899	899	-
Travel, conferences and meetings	292	73	219	292	292	-
Equipment and other capital expenses	-	-	-	-	-	-
Facilities	3,000	750	2,250	3,000	3,000	-
Subtotal	132,702	29,255	103,447	132,702	132,702	-
Total Direct Cost	206,967	47,821	159,146	206,967	206,967	-
Indirect costs	-	-	-	-	-	-
Total Costs	206,967	47,821	159,146	206,967	206,967	-
Less: Program income	-	-	-	-	-	-
Net Grant Funds	\$ 206,967	\$ 47,821	\$ 159,146	\$ 206,967	\$ 206,967	\$ -

HOMEFRONT, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETED AND INCURRED COSTS - GRANT #DHST20CTR004

NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES

FOR THE GRANT PERIOD ENDING JUNE 30, 2020

Category	Final Approved Budget	2019 Expenditure Reports	Cumulative Expenditures	Audited Expenditures	Questioned Costs
Personnel:					
Salary	\$ 58,156	\$ 14,539	\$ 14,539	\$ 14,539	\$ -
Fringe benefits	16,109	4,027	4,027	4,027	-
	<u>74,265</u>	<u>18,566</u>	<u>18,566</u>	<u>18,566</u>	<u>-</u>
Consultants	-	-	-	-	-
Other costs:					
Office expense and related cost	1,000	250	250	250	-
Program expense	77,511	26,108	26,108	26,108	-
Staff training and education cost	899	-	-	-	-
Travel, conferences and meetings	292	73	73	73	-
Equipment and other capital expenses	-	-	-	-	-
Facilities	3,000	750	750	750	-
Subtotal	<u>82,702</u>	<u>27,181</u>	<u>27,181</u>	<u>27,181</u>	<u>-</u>
Total Direct Cost	156,967	45,747	45,747	45,747	-
Indirect costs	-	-	-	-	-
Total Costs	156,967	45,747	45,747	45,747	-
Less: Program income	-	-	-	-	-
Net Grant Funds	<u>\$ 156,967</u>	<u>\$ 45,747</u>	<u>\$ 45,747</u>	<u>\$ 45,747</u>	<u>\$ -</u>

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
HomeFront, Inc.
Lawrenceville, New Jersey

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 of America, the financial statements of HomeFront, Inc. ("Organization"), which comprise the statement of financial position as of September 30, 2019, 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 January 21, 2020.

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") 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 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 Organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 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 over financial reporting and on compliance and other matters, 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. This 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, compliance and other matters. Accordingly, this communication is not suitable for any other purpose.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
January 21, 2020

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

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

Report on Compliance for Each Major Program

We have audited HomeFront, Inc.'s ("Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") Circular Letter 15-08 that could have a direct and material effect on each of the Organization's major programs for the year ended September 30, 2019. The Organization's major programs are identified in the summary of auditor's 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 and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major 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; 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 NJOMB Circular Letter 15-08. Those standards, the Uniform Guidance, and NJOMB Circular Letter 15-08 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 program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Program

In our opinion, the Organization 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 programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, 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 the Organization'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 or 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 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.

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 NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

Sobel & Co, LLC

Certified Public Accountants

Livingston, New Jersey
January 21, 2020

HOMEFRONT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on financial statements of HomeFront, Inc. was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Award

Internal control over the major federal program:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X No

Type of auditors' report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or NJOMB Circular Letter 15-08? _____ Yes X No

Identification of Major Programs

<u>Major Program Number</u>	<u>Name of Program or Cluster</u>
17.258	U.S. Department of Labor – Mercer County – WIB/CWEB Program
DFHS181O5005	New Jersey Department of Human Services, Division of Mental Health & Addiction Services – For My Baby and Me
2019-02156-0334-00	New Jersey Department of Community Affairs – Homelessness Prevention & Rapid Re-Housing 2

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? _____ Yes X No

II. Financial Statement Findings NONE

III. Compliance Findings NONE

IV. Follow-up of Prior Year Audit Findings NONE
