

HOMEFRONT, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020 AND 2019



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

HOMEFRONT, INC.

SEPTEMBER 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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

On October 1, 2019, the Organization adopted Financial Accounting Standards Board, *Revenue from Contracts with Customers* and *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as described in Note 2 of the financial statements. 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 25 and 26, 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, and the schedules of budgeted and incurred costs on pages 28 and 29, 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, 2021 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.

Livingston, New Jersey
January 21, 2021

Sobel & Co., LLC

Certified Public Accountants



HOMEFRONT, INC.
STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,785,967	\$ 930,826
Accounts receivable, net of allowance	229,022	479,789
Accounts receivable - Homes by TLC	61,479	126,333
Grants and contracts receivable	466,152	510,167
Pledges receivable, current portion	188,534	316,852
Prepaid expenses	87,562	98,502
Total Current Assets	6,818,716	2,462,469
INVESTMENTS	3,386,429	2,082,725
PLEDGES RECEIVABLE, net of current portion and discount	332,737	365,620
PROPERTY AND EQUIPMENT, NET	5,927,343	6,154,925
Total Other Assets	9,646,509	8,603,270
	\$ 16,465,225	\$ 11,065,739
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 885,628	\$ 614,522
Deferred revenue	120,134	173,951
Forgivable mortgages, current maturities	60,000	60,000
Refundable advance	949,497	-
Total Current Liabilities	2,015,259	848,473
LONG-TERM LIABILITIES:		
Forgivable mortgages, net of current maturities	300,000	360,000
Total Liabilities	2,315,259	1,208,473
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	5,797,032	2,523,385
With donor restrictions	8,352,934	7,333,881
Total Net Assets	14,149,966	9,857,266
	\$ 16,465,225	\$ 11,065,739

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

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Federal and state government grants	\$ 2,107,246	\$ -	\$ 2,107,246	\$ 2,081,805	\$ -	\$ 2,081,805
Corporate and foundation grants	2,648,264	-	2,648,264	933,677	-	933,677
Program fees	1,778,376	-	1,778,376	2,048,298	-	2,048,298
Contributions	4,905,740	1,040,299	5,946,039	2,950,098	479,777	3,429,875
Investment income	79,383	302,685	382,068	59,224	2,097	61,321
In-kind contributions	4,364,782	-	4,364,782	3,879,673	-	3,879,673
Other income	273,784	-	273,784	381,179	-	381,179
Maintenance fees - Homes by TLC, Inc.	119,300	-	119,300	118,625	-	118,625
Social service fees - Homes by TLC, Inc.	129,135	-	129,135	122,275	-	122,275
Property management fees - Homes by TLC, Inc.	99,750	-	99,750	100,250	-	100,250
Subtotal	16,505,760	1,342,984	17,848,744	12,675,104	481,874	13,156,978
Net Assets Released from Restrictions	323,931	(323,931)	-	327,201	(327,201)	-
Total Revenues, Gains and Other Support	16,829,691	1,019,053	17,848,744	13,002,305	154,673	13,156,978
EXPENSES:						
Program services	12,476,872	-	12,476,872	11,509,663	-	11,509,663
Fundraising	521,878	-	521,878	537,814	-	537,814
Management and general	557,294	-	557,294	630,949	-	630,949
Total Expenses	13,556,044	-	13,556,044	12,678,426	-	12,678,426
CHANGES IN NET ASSETS	3,273,647	1,019,053	4,292,700	323,879	154,673	478,552
NET ASSETS - Beginning of year	2,523,385	7,333,881	9,857,266	2,199,506	7,179,208	9,378,714
NET ASSETS - End of year	\$ 5,797,032	\$ 8,352,934	\$ 14,149,966	\$ 2,523,385	\$ 7,333,881	\$ 9,857,266

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

HOMEFRONT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services				Fundraising	Management and General	Total Expenses
	Prevention/ Emergency Services	Client Support Services	Housing	Total			
Personnel							
Salaries and wages	\$ 1,369,338	\$ 1,799,487	\$ 543,141	\$ 3,711,966	\$ 164,544	\$ 381,472	\$ 4,257,982
Payroll taxes and benefits	392,792	561,178	168,170	1,122,140	49,871	101,700	1,273,711
Total Personnel	1,762,130	2,360,665	711,311	4,834,106	214,415	483,172	5,531,693
Direct client assistance							
Shelter	431,305	-	228,525	659,830	-	-	659,830
Food	228,081	166,953	464	395,498	132	131	395,761
Transportation	35,213	36,122	6,852	78,187	1,670	3,662	83,519
Counseling services	14,324	1,418	362	16,104	127	289	16,520
Direct client needs	97,628	7,577	175	105,380	-	-	105,380
Total Direct Client Assistance	806,551	212,070	236,378	1,254,999	1,929	4,082	1,261,010
In-kind services, food, and facilities	-	4,364,782	-	4,364,782	-	-	4,364,782
Repairs and maintenance	324,471	78,320	6,006	408,797	1,754	4,514	415,065
Supplies - program, office and other	188,937	190,106	34,532	413,575	40,768	22,439	476,782
Utilities	84,202	24,405	10,234	118,841	-	1,285	120,126
Security	177,008	-	-	177,008	-	-	177,008
Consultants	11,080	70,160	19,917	101,157	79,918	12,971	194,046
Insurance	53,570	67,156	7,102	127,828	2,197	5,005	135,030
Printing	1,524	14,524	3,614	19,662	84,347	1,194	105,203
Fundraising	-	-	-	-	52,980	-	52,980
Telephone and communications	51,736	53,340	9,216	114,292	3,683	5,545	123,520
Rent to Homes by TLC, Inc.	77,594	22,066	46,166	145,826	745	4,629	151,200
Accounting/legal	3,274	20,111	4,797	28,182	1,634	3,726	33,542
Miscellaneous	6,092	26,301	3,802	36,195	10,771	2,083	49,049
Postage	2,128	7,866	1,227	11,221	19,069	967	31,257
Staff development	5,358	16,103	3,556	25,017	2,568	2,585	30,170
Bad debt expense (recovery)	(935)	-	(2,710)	(3,645)	5,100	-	1,455
Total Before Depreciation	3,554,720	7,527,975	1,095,148	12,177,843	521,878	554,197	13,253,918
Depreciation	49,359	249,670	-	299,029	-	3,097	302,126
Total Expenses	\$ 3,604,079	\$ 7,777,645	\$ 1,095,148	\$ 12,476,872	\$ 521,878	\$ 557,294	\$ 13,556,044

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 and communications	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.

STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2020	2019
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 4,292,700	\$ 478,552
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	302,126	305,804
Amortization of discount on long-term pledges receivable	(8,783)	(12,295)
Forgiven mortgage principal	(60,000)	(60,000)
Unrealized gain on investments	(359,096)	(42,969)
Investment income reinvested	(16,189)	(14,227)
Change in allowance for doubtful accounts	(3,645)	24,528
Changes in certain assets and liabilities:		
Accounts receivable	254,412	(106,140)
Accounts receivable - Homes by TLC	64,854	63,233
Grants and contracts receivable	44,015	(67,096)
Pledges receivable	169,984	78,148
Prepaid expenses	10,940	(139)
Accounts payable and accrued expenses	271,106	230,722
Deferred revenue	(53,817)	142,025
Refundable advance	949,497	-
Net Cash Provided by Operating Activities	<u>5,858,104</u>	<u>1,020,146</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(74,544)	(8,590)
Purchase of investments	(928,419)	(447,652)
Net Cash Used for Investing Activities	<u>(1,002,963)</u>	<u>(456,242)</u>
 NET INCREASES IN CASH AND CASH EQUIVALENTS	 4,855,141	 563,904
 CASH AND CASH EQUIVALENTS:		
Beginning of year	930,826	366,922
End of year	<u>\$ 5,785,967</u>	<u>\$ 930,826</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Noncash contributions	<u>\$ 4,364,782</u>	<u>\$ 3,879,673</u>

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - NATURE OF ORGANIZATION:

Since its foundation nearly 30 years ago, HomeFront, Inc. (“HomeFront” or “Organization”) has worked tirelessly 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 an army of 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. As the Times of Trenton states, "in our area, HomeFront is the agency of last resort and it is the gold standard for resolving the issues resulting in homelessness.”

Guided by the belief that a holistic approach is necessary to break the cycle of poverty and establish long-term economic and family stability, HomeFront has developed a comprehensive, dignified array of social services programs to support these core beliefs. On any given night, HomeFront provides shelter, transitional housing or permanent service-enriched housing to over 475 people. Two-thirds of them are children.

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.

When the world crumbles at their feet, HomeFront builds the solid foundations families urgently need for a life of possibilities. They are relentless in removing barriers to self-sufficiency. They don’t just put a roof over people’s heads; they address the array of programs that cause homelessness. HomeFront ensures that the next generation begins life at the starting line, not behind it.

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 with dignity; and 4) that children nurtured by love and support will grow on a path to realizing life’s possibilities.

HomeFront’s comprehensive family service offerings include case management, homelessness prevention, emergency food, diapers, feminine hygiene products, free clothing and household goods through our HomeFront FreeStore, affordable housing searches, family literacy, adult education, 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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 - NATURE OF ORGANIZATION: (Continued)

Many family services are centralized at the state of the art HomeFront Family Campus, a former military installation renovated into a center of healing and hope. The Family Campus is a temporary home to up to 38 families and intentionally incorporates many of the support services that empower and support those families as they build self-sufficient futures for themselves and their children. Last year, HomeFront answered over 32,000 cries for help.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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, 2020 and 2019, the allowance for doubtful accounts was \$20,883 and \$24,528, respectively.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

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, 2020 and 2019, 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, 2020 AND 2019

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.

Deferred Revenue:

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

Revenue Recognition – Contributions and Grants from Governmental Agencies:

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

On October 1, 2019, the Organization adopted the Financial Accounting Standards Board (“FASB”), Accounting Standards Update, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope of accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improving guidance to better distinguish between conditional and unconditional contributions.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Revenue Recognition – Contributions and Grants from Governmental Agencies: (Continued)

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

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

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.

Revenue Recognition – Program Fees:

In May 2014, the FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. 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 FASB also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective October 1, 2019, the first day of the Organization's fiscal year, using the modified retrospective approach.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Revenue Recognition – Program Fees: (Continued)

As part of the adoption of the pronouncement, the Organization elected the following transition practical expedients: to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of the pronouncement did not result in a change to beginning net assets as of October 1, 2019.

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

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, 2020 and 2019. At September 30, 2020 and 2019, there were no significant income tax uncertainties.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

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.

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, 2021. It will be effective for the Organization for the year ending September 30, 2023. The Organization is currently evaluating the effect the new pronouncement will have on its financial statements.

Subsequent Events:

The Organization has evaluated its subsequent events and transactions occurring after September 30, 2020 through January 21, 2021, the date the financial statements were available to be issued.

NOTE 3 - 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, 2020 and 2019, fully collectible. Accordingly, no allowance for uncollectible pledges has been established.

Total pledges receivable were as follows:

	September 30,	
	2020	2019
Receivable in less than one year	\$ 188,534	\$ 316,852
Receivable in one to five years:		
Total	333,334	375,000
Less: Discount to net present value	(597)	(9,380)
Net long-term pledges receivable	332,737	365,620
Total Pledges Receivable	\$ 521,271	\$ 682,472

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 4 - INVESTMENTS:

Fair value measurements of investments as of September 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Princeton Area Community Foundation Pooled Funds	\$ -	\$ -	\$ 3,386,429	\$ 3,386,429

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

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

	Year Ended September 30,	
	2020	2019
Balance, beginning of year	\$ 2,082,725	\$ 1,577,877
Contributions	928,419	447,652
Interest and dividend income, net of fees	16,189	14,227
Unrealized gains	359,096	42,969
Balance, end of year	<u>\$ 3,386,429</u>	<u>\$ 2,082,725</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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5 - ENDOWMENTS: (Continued)

Interpretations of Relevant Law:

The Organization's Board of Trustees has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of September 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

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

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).

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5 - ENDOWMENTS: (Continued)

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.

The following table provides information regarding the change in endowment net assets for the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, October 1, 2019	\$ 229,977	\$ 1,852,748	\$ 2,082,725
Endowment contributions	-	928,419	928,419
Investment return, net	-	375,285	375,285
Amounts appropriated for expenditure	72,600	(72,600)	-
Endowment net assets, September 30, 2020	\$ 302,577	\$ 3,083,852	\$ 3,386,429

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	\$ 229,977	\$ 1,852,748	\$ 2,082,725

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment are comprised of the following:

	September 30,	
	2020	2019
Building and building improvements		
- HomeFront Family Campus	\$ 6,042,107	\$ 6,042,107
Leasehold improvements	659,818	659,818
Vehicles	730,377	655,831
Office furniture and equipment	879,688	879,688
	<u>8,311,990</u>	<u>8,237,444</u>
Less: Accumulated depreciation	2,384,647	2,082,519
Property and Equipment, Net	<u>\$ 5,927,343</u>	<u>\$ 6,154,925</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 in each year of the years ended September 30, 2020 and 2019.

NOTE 7 - LINE OF CREDIT:

The Organization has a \$250,000 line of credit with a bank available through May 31, 2021. The line calls for monthly payments of interest only at the bank's prime rate plus 1.25% (4.50% at September 30, 2020). There were no outstanding borrowings at September 30, 2020 and 2019.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019 was \$360,000 and \$420,000, respectively.

Mortgage forgiveness is as follows:

Year Ending September 30,	
2021	\$ 60,000
2022	60,000
2023	60,000
2024	60,000
2025	60,000
Thereafter	60,000
	<u>\$ 360,000</u>

NOTE 9 - REFUNDABLE ADVANCE:

The Organization obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in May 2020 for \$949,497. The loan is to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. PPP loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period. The Organization expects to receive full forgiveness of the loan based on the criteria for forgiveness.

Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred under the PPP Flexibility Act, which extends the deferral period until the date the lender receives the applicable forgiven amount from the U.S. Small Business Administration, which is not to exceed 10 months after the covered period, and are payable with interest at 1.00%, through 2022. The loan is uncollateralized and guaranteed by the U.S. Small Business Administration.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10 - 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, 2020 and 2019 were \$101,895 and \$73,437, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS:

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

	September 30,	
	2020	2019
HomeFront Family Campus	\$ 4,465,350	\$ 4,699,007
Endowment fund assets:		
Corpus	2,779,070	1,850,652
Accumulated earnings	304,782	2,096
Pledges receivable for endowment	521,868	691,852
Contributions related to programs	281,864	90,274
Total Net Assets with Donor Restrictions	<u>\$ 8,352,934</u>	<u>\$ 7,333,881</u>

Net assets of \$323,931 and \$327,201 were released from donor restrictions during the years ended September 30, 2020 and 2019, respectively, when time and/or purpose restrictions were satisfied.

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.

NOTE 12 - IN-KIND CONTRIBUTIONS:

The Organization's mission to end homelessness in Central New Jersey is supported through securing pro-bono or in-kind goods and services for clients. 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.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 12 - IN-KIND CONTRIBUTIONS: (Continued)

In-kind contributions consist of the following:

	Year Ended	
	September 30,	
	2020	2019
Meals, food, diapers, personal care products, clothing, and toys distributed to clients	\$ 2,328,427	\$ 2,136,523
Vehicles, computers, household furnishings, and other supplies distributed to clients	1,420,580	1,275,850
Professional services and postage	362,975	229,500
Rent below fair market value	252,800	237,800
Total In-kind Contributions	<u>\$ 4,364,782</u>	<u>\$ 3,879,673</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 30,000 and 52,000 hours in the years ended September 30, 2020 and 2019, respectively. If such volunteer hours were valued, they would approximate \$1,005,000 and \$1,260,000 and for the years ended September 30, 2020 and 2019, respectively.

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

NOTE 13 - 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, 2020 AND 2019

NOTE 14 - RELATED-PARTY TRANSACTIONS:

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

Homes by TLC, Inc. pays fees to HomeFront, Inc. for the services performed by HomeFront Inc. employees. These services are provided based on agreements approved by both organizations on an annual basis. For the years ended September 30, 2020 and 2019, these amounts totaled approximately \$348,000 and \$341,000, respectively.

Homes by TLC, Inc. also rents space at its properties to HomeFront, Inc. under an operating lease, which expired on September 30, 2020. For each of the years ended September 30, 2020 and 2019, rent expense totaled \$151,200. All of the leases between HomeFront, Inc. and Homes by TLC, Inc. have been renewed until September 30, 2021.

As of September 30, 2020 and 2019, the balance due from Homes by TLC, Inc. was \$61,479 and \$126,333, respectively, which related to transactions with the Siloam Homes properties.

NOTE 15 - 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 16 - VULNERABILITY OF CONCENTRATIONS OF GRANT CONTRACTS:

The Organization received approximately 12% and 16% of its total support from federal and state government agencies during the years ended September 30, 2020 and 2019, 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 17 - TAX RETURNS:

At September 30, 2020, all required tax returns have been filed.

HOMEFRONT, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 18 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets 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.

	September 30,	
	2020	2019
Cash and cash equivalents	\$ 5,785,967	\$ 930,826
Accounts receivable, net	229,022	479,789
Grants and contracts receivable	466,152	510,167
Pledges receivable, current	188,534	316,852
Total Financial Assets	<u>6,669,675</u>	<u>2,237,634</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(470,995)	(407,125)
Estimated releases from donor restrictions	470,995	407,125
	-	-
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 6,669,675</u>	<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. As of September 30, 2020, the Organization has received future commitments of approximately \$522,000 in connection with the campaign. Additionally, the Organization has a \$250,000 line of credit available for working capital.

NOTE 19 - 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.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 20 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the COVID-19 outbreak and the potential impact on its employees, clients, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

HOMEFRONT, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020

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 - 10/31/20	2019-02156-0334-00	\$ 311,000	\$ 173,888
Emergency Solutions Grant	14.231	12/01/18 - 06/30/20	2019-02149-0339-00	68,044	26,623
Emergency Solutions Grant		12/01/19 - 06/30/21	2020-02149-0055-00	109,453	51,525
Passed through City of Trenton:					
Emergency Solutions Grant (ESG-CV)	14.231	07/01/20 - 06/30/21	E-20-MW-34-0007	70,000	27,224
CDBG/Emergency Solutions Grant	14.231	07/01/19 - 06/30/20	N/A	25,000	25,000
				<u>583,497</u>	<u>304,260</u>
Mercer County Leasing 2011	14.267	08/01/19 - 07/31/20	NJ0368L2F141806	164,757	138,777
Mercer County Leasing 2011	14.267	08/01/20 - 07/31/21	NJ0368L2F141806	165,123	26,897
				<u>329,880</u>	<u>165,674</u>
Total U.S. Department of Housing and Urban Development				<u>913,377</u>	<u>469,934</u>
477 Cluster					
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through NJ Department of Community Affairs:					
CSBG - Special Initiatives		01/01/20 - 09/30/20	2019-05136-0627-00	60,000	60,000
Mercer County - LCC / CSBG		01/01/19 - 12/31/19	RESOL2018-504	106,600	26,650
Mercer County - LCC / CSBG		01/01/20 - 12/31/20	RESOL2020-80	120,137	90,103
Total 477 Cluster				<u>286,737</u>	<u>176,753</u>
WIOA Cluster					
U.S. DEPARTMENT OF LABOR					
Mercer County - WIB/CWEP Program	17.258	07/01/19 - 06/30/20	PY2018-271/2019	225,000	169,497
Mercer County - WIB/CWEP Program	17.258	07/01/20 - 06/30/21	PY2020-271	225,000	62,399
Mercer County - WIB/CWEP Program	17.258	07/01/19 - 06/30/20	PY2018-270	240,000	176,442
Mercer County - WIB/CWEP Program	17.258	07/01/20 - 06/30/21	PY2020-270	240,000	50,293
Total WIOA Cluster				<u>930,000</u>	<u>458,631</u>
U.S. DEPARTMENT OF EDUCATION					
Passed through New Jersey Department of Education					
Woodstown-Pilesgrove Regional School District	84.196	07/01/19 - 6/30/20		88,723	88,723
Total U.S. Department of Education				<u>88,723</u>	<u>88,723</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Emergency Food and Shelter National Board - Phase 36	97.024	10/1/18 - 4/30/20	N/A	6,000	6,000
Emergency Food and Shelter National Board - Phase 36 CARES Supplemental Award	97.024	6/1/20 - 5/31/21	N/A	18,450	7,500
Total U.S. Department of Homeland Security				<u>24,450</u>	<u>13,500</u>
Total Federal Awards				<u>2,243,287</u>	<u>1,207,541</u>

HOMEFRONT, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
YEAR ENDED SEPTEMBER 30, 2020

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	10/01/19 - 09/30/20	20CSLC	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	21,487
Homelessness Prevention	01/01/20 - 12/31/20	RES #2020-20	72,669	33,026
			<u>218,007</u>	<u>54,513</u>
Division of HIV/AIDS Services HIV/AIDS Housing	07/01/19 - 06/30/20	DHST20CTR004	156,967	111,220
HIV/AIDS Housing	07/01/20 - 06/30/21	DHST21CTR026	123,272	30,593
			<u>280,239</u>	<u>141,813</u>
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	DFHS181O5005(2)	612,056	296,292
For My Baby and Me	7/1/2020 - 12/31/20	DFHS181O5005(2)	499,057	61,840
			<u>1,111,113</u>	<u>358,132</u>
NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS				
Homelessness Prevention & Rapid Re-Housing 2 2019	12/01/18 - 10/31/20	2019-02156-0334-00	89,000	58,541
Homelessness Prevention Rental Assistance	02/01/18 - 7/31/21	2018-02150-0196-06	539,187	81,271
Prevention of Homelessness 2019	08/01/19 - 07/31/21	2019-02150-0592-01	226,604	80,178
Emergency Solutions Grant	12/01/19 - 06/30/21	2020-02149-0055-00	28,746	28,746
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
			<u>1,483,537</u>	<u>308,736</u>
Total State Awards			<u>3,129,406</u>	<u>899,704</u>
Total Federal and State Awards			<u>\$ 5,372,693</u>	<u>\$ 2,107,245</u>

HOMEFRONT, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2020

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, 2020, 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, 2020, 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, 2020, the Organization did not have any federal loan or loan guarantee programs.

NOTE 5 - 477 CLUSTER:

For the year ended September 30, 2020, the source of funding for the 477 Cluster, was the U.S. Department of Health and Human Services, CFDA #93.569, passed through the New Jersey Department of Community Affairs.

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	2020 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	-
	<u>74,265</u>	<u>18,566</u>	<u>55,699</u>	<u>74,265</u>	<u>74,265</u>	<u>-</u>
Consultants	-	-	-	-	-	-
Other costs:						
Office expense and related cost	1,000	250	750	1,000	1,000	-
Program expense	77,511	26,108	51,403	77,511	77,511	-
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	<u>82,702</u>	<u>27,181</u>	<u>55,521</u>	<u>82,702</u>	<u>82,702</u>	<u>-</u>
Total Direct Cost	156,967	45,747	111,220	156,967	156,967	-
Indirect costs	-	-	-	-	-	-
Total Costs	156,967	45,747	111,220	156,967	156,967	-
Less: Program income	-	-	-	-	-	-
Net Grant Funds	<u>\$ 156,967</u>	<u>\$ 45,747</u>	<u>\$ 111,220</u>	<u>\$ 156,967</u>	<u>\$ 156,967</u>	<u>-</u>

HOMEFRONT, INC.

SUPPLEMENTARY INFORMATION

SCHEDULE OF BUDGETED AND INCURRED COSTS - GRANT #DHST21CTR026

NEW JERSEY DEPARTMENT OF HEALTH AND SENIOR SERVICES

FOR THE GRANT PERIOD ENDING JUNE 30, 2021

Category	Final Approved Budget	2020 Expenditure Reports	Cumulative Expenditures	Audited Expenditures	Questioned Costs
Personnel:					
Salary	\$ 58,156	\$ 14,539	\$ 14,539	\$ 14,539	\$ -
Fringe benefits	16,108	4,027	4,027	4,027	-
	74,264	18,566	18,566	18,566	-
Consultants	-	-	-	-	-
Other costs:					
Office expense and related cost	1,000	250	250	250	-
Program expense	43,816	10,954	10,954	10,954	-
Staff training and education cost	900	-	-	-	-
Travel, conferences and meetings	292	73	73	73	-
Equipment and other capital expenses	-	-	-	-	-
Facilities	3,000	750	750	750	-
Subtotal	49,008	12,027	12,027	12,027	-
Total Direct Cost	123,272	30,593	30,593	30,593	-
Indirect costs	-	-	-	-	-
Total Costs	123,272	30,593	30,593	30,593	-
Less: Program income	-	-	-	-	-
Net Grant Funds	\$ 123,272	\$ 30,593	\$ 30,593	\$ 30,593	\$ -

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, 2020, 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, 2021.

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.

Livingston, New Jersey
January 21, 2021

Sobel & Co, LLC

Certified Public Accountants

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, 2020. 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, 2020.

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, 2021

HOMEFRONT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

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	WIOA Cluster – U.S. Department of Labor – Mercer County – WIB/CWEP Program
14.267	U.S. Department of Housing and Urban Development – Mercer County Leasing 2011
DFHS181O5005(2)	New Jersey Department of Human Services, Division of Mental Health & Addiction Services – For My Baby and Me

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