**HOMEFRONT, INC.**

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

September 30, 2023 and 2022

**HOMEFRONT, INC.**

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September 30, 2023

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of
HomeFront, Inc.

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

***Opinion***

We have audited the financial statements of HomeFront, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2023, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

As discussed in Notes B and M to the financial statements, effective October 1, 2022, the Organization adopted ASU 2016-02 related to leases. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Circular Letter 15-08-OMB (the "Circular"), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024*,* on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

**2022 Financial Statements**

The financial statements of the Organization as of and for the year ended September 30, 2022, were audited by other auditors, whose report, dated March 24, 2023, expressed an unmodified opinion on those statements.

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

March 28, 2024

**HOMEFRONT, INC.**

STATEMENTS OF FINANCIAL POSITION
September 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,558,454 | $ 1,196,853 |
| Accounts receivable, net of allowance for doubtful accounts of $50,904 in 2023 and $47,669 in 2022 | 634,372 | 603,552 |
| Accounts receivable - Homes by TLC | 98,300 | - |
| Grants and contracts receivable | 1,044,072 | 407,794 |
| Pledges receivable, current portion | 46,668 | 46,668 |
| Investments, undesignated | 805,395 | 425,264 |
| Prepaid expenses | 82,146 | 89,644 |
| Total Current Assets | 4,269,407 | 2,769,775 |
| | | |
| Cash and cash equivalents, board-designated | - | 1,333,517 |
| Investments, board-designated | 6,410,979 | 5,666,483 |
| Investments, donor-restricted for endowment | 4,324,287 | 4,019,098 |
| Pledges receivable, net of current portion | 40,000 | 80,000 |
| Property and equipment, net | 7,003,486 | 6,833,809 |
| Right-of-use asset - operating lease | 862,020 | - |
| Total Assets | $ 22,910,179 | $ 20,702,682 |
| | | |
| **LIABILITIES AND NET ASSETS** | | |
| | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ 773,613 | $ 517,582 |
| Refundable advances | 89,866 | 336,524 |
| Lease liability - operating lease | 127,005 | - |
| Forgivable mortgages, current maturities | 60,000 | 60,000 |
| Total Current Liabilities | 1,050,484 | 914,106 |
| | | |
| Lease liability - operating lease, net of current portion | 738,384 | - |
| Forgivable mortgages, net of current maturities | 120,000 | 180,000 |
| Total Liabilities | 1,908,868 | 1,094,106 |
| | | |
| Net Assets | | |
| Without donor restrictions | | |
| Board-designated | 6,410,979 | 7,000,000 |
| Undesignated | 6,280,832 | 4,061,590 |
| Total Net Assets without Donor Restrictions | 12,691,811 | 11,061,590 |
| With donor restrictions | 8,309,500 | 8,546,986 |
| Total Net Assets | 21,001,311 | 19,608,576 |
| Total Liabilities and Net Assets | $ 22,910,179 | $ 20,702,682 |

See notes to financial statements.

**HOMEFRONT, INC.**

STATEMENTS OF ACTIVITIES
Years Ended September 30, 2023 and 2022

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and revenues | | | | | | |
| Federal and state government grants | $ 4,524,965 | $ - | $ 4,524,965 | $ 2,554,968 | $ - | $ 2,554,968 |
| Corporate and foundation grants | 1,383,692 | - | 1,383,692 | 1,927,030 | - | 1,927,030 |
| Program fees | 2,458,265 | - | 2,458,265 | 1,916,558 | - | 1,916,558 |
| Contributions - financial assets | 4,395,530 | 220,991 | 4,616,521 | 5,369,473 | 1,107,483 | 6,476,956 |
| Contributions - nonfinancial assets | 6,481,278 | - | 6,481,278 | 6,013,381 | - | 6,013,381 |
| Investment return (loss), net of fees | 844,250 | 247,313 | 1,091,563 | (553,050) | (892,822) | (1,445,872) |
| Thrift store sales | 249,825 | - | 249,825 | - | - | - |
| Maintenance fees - Homes by TLC, Inc. | 130,000 | - | 130,000 | 130,375 | - | 130,375 |
| Social services fees - Homes by TLC, Inc. | 154,152 | - | 154,152 | 166,094 | - | 166,094 |
| Property management fees - Homes by TLC, Inc. | 110,700 | - | 110,700 | 111,006 | - | 111,006 |
| Other income | 305,333 | - | 305,333 | 369,426 | - | 369,426 |
| Net assets released from restrictions | 705,790 | (705,790) | - | 805,542 | (805,542) | - |
| Total support and revenues | 21,743,780 | (237,486) | 21,506,294 | 18,810,803 | (590,881) | 18,219,922 |
| Expenses | | | | | | |
| Program services | 18,339,571 | - | 18,339,571 | 15,302,643 | - | 15,302,643 |
| Fundraising | 874,006 | - | 874,006 | 940,032 | - | 940,032 |
| Management and general | 899,982 | - | 899,982 | 711,827 | - | 711,827 |
| Total operating expenses | 20,113,559 | - | 20,113,559 | 16,954,502 | - | 16,954,502 |
| Change in net assets | 1,630,221 | (237,486) | 1,392,735 | 1,856,301 | (590,881) | 1,265,420 |
| Net assets, beginning of year | 11,061,590 | 8,546,986 | 19,608,576 | 9,205,289 | 9,137,867 | 18,343,156 |
| Net assets, end of year | $ 12,691,811 | $ 8,309,500 | $ 21,001,311 | $ 11,061,590 | $ 8,546,986 | $ 19,608,576 |

**HOMEFRONT, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2023

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Prevention/ Emergency Services | Client Support Services | Housing | Total | Fundraising | Management and General | Total |
| Personnel | | | | | | | |
| Salaries and wages | $ 1,780,509 | $ 2,896,539 | $ 793,735 | $ 5,470,783 | $ 446,178 | $ 606,450 | $ 6,523,411 |
| Payroll taxes and benefits | 531,378 | 845,897 | 206,557 | 1,583,832 | 134,182 | 165,714 | 1,883,728 |
| Stipends | 3,000 | 23,250 | 9,000 | 35,250 | - | - | 35,250 |
| Total Personnel | 2,314,887 | 3,765,686 | 1,009,292 | 7,089,865 | 580,360 | 772,164 | 8,442,389 |
| Direct client assistance | | | | | | | |
| Shelter | 1,005,305 | - | 68,814 | 1,074,119 | - | - | 1,074,119 |
| Food | 222,727 | 40,115 | 2,117 | 264,959 | 2,309 | 932 | 268,200 |
| Transportation | 56,010 | 53,118 | 8,447 | 117,575 | 5,846 | 7,316 | 130,737 |
| Counseling services | 3,968 | 8,808 | 1,618 | 14,394 | 1,189 | 1,502 | 17,085 |
| Direct client needs | 97,565 | 207,380 | 330 | 305,275 | - | - | 305,275 |
| Total Direct Client Assistance | 1,385,575 | 309,421 | 81,326 | 1,776,322 | 9,344 | 9,750 | 1,795,416 |
| In-kind services, food and facilities | - | 6,481,278 | - | 6,481,278 | - | - | 6,481,278 |
| Sub-grantees | - | 410,750 | 250,000 | 660,750 | - | - | 660,750 |
| Repairs and maintenance | 372,027 | 68,001 | 9,508 | 449,536 | 7,161 | 8,925 | 465,622 |
| Supplies - program, office and other | 182,883 | 190,010 | 16,659 | 389,552 | 24,296 | 15,276 | 429,124 |
| Utilities | 111,546 | 32,225 | 1,413 | 145,184 | 1,043 | 1,325 | 147,552 |
| Security | 202,742 | - | - | 202,742 | - | - | 202,742 |
| Consultants | 6,494 | 22,115 | 3,020 | 31,629 | 4,373 | 1,984 | 37,986 |
| Insurance | 100,479 | 39,821 | 11,042 | 151,342 | 5,679 | 4,283 | 161,304 |
| Printing | 6,573 | 14,010 | 1,479 | 22,062 | 61,651 | 1,204 | 84,917 |
| Fundraising | - | - | - | - | 118,783 | - | 118,783 |
| Telephone and communications | 61,349 | 97,496 | 17,197 | 176,042 | 10,869 | 13,481 | 200,392 |
| Rent to Homes by TLC, Inc. | 92,028 | 77,007 | - | 169,035 | - | 45,454 | 214,489 |
| Accounting and legal | 12,566 | 30,412 | 4,562 | 47,540 | 3,256 | 4,260 | 55,056 |
| Miscellaneous | 13,926 | 25,302 | 3,473 | 42,701 | 19,107 | 9,473 | 71,281 |
| Postage | 4,406 | 5,833 | 1,369 | 11,608 | 17,962 | - | 29,570 |
| Staff development and recruitment | 40,014 | 83,028 | 12,327 | 135,369 | 10,122 | 10,970 | 156,461 |
| Bad debt | 17,997 | 360 | - | 18,357 | - | - | 18,357 |
| Total before depreciation | 4,925,492 | 11,652,755 | 1,422,667 | 18,000,914 | 874,006 | 898,549 | 19,773,469 |
| Depreciation | 63,848 | 274,809 | - | 338,657 | - | 1,433 | 340,090 |
| Total Expenses | $ 4,989,340 | $ 11,927,564 | $ 1,422,667 | $ 18,339,571 | $ 874,006 | $ 899,982 | $ 20,113,559 |

See notes to financial statements.

**HOMEFRONT, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Prevention/ Emergency Services | Client Support Services | Housing | Total | Fundraising | Management and General | Total |
| Personnel | | | | | | | |
| Salaries and wages | $ 1,585,642 | $ 2,002,126 | $ 519,482 | $ 4,107,250 | $ 391,456 | $ 446,995 | $ 4,945,701 |
| Payroll taxes and benefits | 442,633 | 639,751 | 142,402 | 1,224,786 | 111,222 | 135,004 | 1,471,012 |
| Stipends | - | 2,120 | - | 2,120 | - | - | 2,120 |
| Total Personnel | 2,028,275 | 2,643,997 | 661,884 | 5,334,156 | 502,678 | 581,999 | 6,418,833 |
| Direct client assistance | | | | | | | |
| Shelter | 910,299 | 30,968 | 77,105 | 1,018,372 | - | - | 1,018,372 |
| Food | 260,320 | 57,638 | 6,614 | 324,572 | 6,386 | 1,078 | 332,036 |
| Transportation | 53,274 | 64,640 | 6,637 | 124,551 | 3,612 | 4,108 | 132,271 |
| Counseling services | 5,318 | 9,839 | 2,013 | 17,170 | 1,573 | 1,527 | 20,270 |
| Direct client needs | 83,655 | 93,369 | 6,835 | 183,859 | - | - | 183,859 |
| Total Direct Client Assistance | 1,312,866 | 256,454 | 99,204 | 1,668,524 | 11,571 | 6,713 | 1,686,808 |
| In-kind services, food and facilities | - | 6,013,381 | - | 6,013,381 | - | - | 6,013,381 |
| Repairs and maintenance | 360,319 | 78,258 | 13,667 | 452,244 | 11,598 | 12,473 | 476,315 |
| Supplies - program, office and other | 179,282 | 135,475 | 20,021 | 334,778 | 72,517 | 12,367 | 419,662 |
| Utilities | 96,171 | 35,486 | - | 131,657 | - | 863 | 132,520 |
| Security | 197,460 | - | - | 197,460 | - | - | 197,460 |
| Consultants | 12,021 | 16,463 | 16,027 | 44,511 | 58,969 | 3,026 | 106,506 |
| Insurance | 69,364 | 55,253 | 15,621 | 140,238 | 5,544 | 9,808 | 155,590 |
| Printing | 7,944 | 20,829 | 4,357 | 33,130 | 106,619 | 1,943 | 141,692 |
| Fundraising | - | - | - | - | 102,252 | - | 102,252 |
| Telephone and communications | 68,039 | 92,390 | 15,464 | 175,893 | 10,779 | 12,048 | 198,720 |
| Rent to Homes by TLC, Inc. | 90,706 | 68,166 | 1,392 | 160,264 | 1,147 | 43,133 | 204,544 |
| Accounting and legal | 9,458 | 53,370 | 2,869 | 65,697 | 2,363 | 2,621 | 70,681 |
| Miscellaneous | 10,325 | 22,302 | 1,343 | 33,970 | 19,178 | 2,222 | 55,370 |
| Postage | 6,147 | 7,377 | 1,781 | 15,305 | 20,156 | 1,549 | 37,010 |
| Staff development and recruitment | 57,405 | 86,498 | 17,085 | 160,988 | 14,661 | 20,428 | 196,077 |
| Bad debt | 18,515 | 8,845 | - | 27,360 | - | - | 27,360 |
| Total before depreciation | 4,524,297 | 9,594,544 | 870,715 | 14,989,556 | 940,032 | 711,193 | 16,640,781 |
| Depreciation | 50,091 | 262,996 | - | 313,087 | - | 634 | 313,721 |
| Total Expenses | $ 4,574,388 | $ 9,857,540 | $ 870,715 | $ 15,302,643 | $ 940,032 | $ 711,827 | $ 16,954,502 |

**HOMEFRONT, INC.**

STATEMENTS OF CASH FLOWS
Years Ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Change in net assets | $ 1,392,735 | $ 1,265,420 |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 340,090 | 313,721 |
| Amortization of discount on long-term pledges receivable | - | (84) |
| Forgiven mortgage principal | (60,000) | (60,000) |
| Change in allowance for doubtful accounts | 3,235 | (18,636) |
| Unrealized/realized (gain) loss on investments | (909,515) | 1,539,950 |
| Amortization of right-of-use asset - operating lease | 125,658 | - |
| Increase (decrease) in cash from | | |
| Accounts receivable | (34,055) | (144,666) |
| Accounts receivable - Homes by TLC | (98,300) | 77,440 |
| Grants and contracts receivable | (636,278) | (5,712) |
| Pledges receivable | 40,000 | 235,000 |
| Prepaid expenses | 7,498 | 48,582 |
| Accounts payable and accrued expenses | 256,031 | (137,787) |
| Lease liability - operating lease | (122,289) | - |
| Refundable advances | (246,658) | (289,009) |
| Net cash from operating activities | 58,152 | 2,824,219 |
| | | |
| Cash Flows from Investing Activities | | |
| Purchase of property and equipment | (509,767) | (1,413,126) |
| Purchase of investments, net of sales | (520,301) | (4,680,856) |
| Net cash from investing activities | (1,030,068) | (6,093,982) |
| | | |
| Net change in cash, cash equivalents and restricted cash | (971,916) | (3,269,763) |
| Cash, cash equivalents and restricted cash, beginning of year | 2,530,370 | 5,800,133 |
| Cash, cash equivalents and restricted cash, end of year | $ 1,558,454 | $ 2,530,370 |
| | | |
| Supplemental Disclosure of Cash Flow Information | | |
| Contributions of nonfinancial assets | $ 6,481,278 | $ 6,013,381 |
| Noncash financing activities | | |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ 987,678 | $ - |
| Forgiven mortgage principal | $ 60,000 | $ 60,000 |

## A. NATURE OF ORGANIZATION

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

Since its foundation 33 years ago, the Organization has worked tirelessly to break the cycle of poverty and end homelessness in Central New Jersey and has served tens of thousands of local families. Started by an army of volunteers providing meals for families living in welfare motels, the Organization has since developed a holistic array of wraparound services for clients who are either impacted by poverty or experiencing homelessness. HomeFront has been nationally recognized for its effectiveness in helping families get on the path to self-sufficiency and independence.

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 programs and services to both meet immediate urgent needs and provide long term, meaningful support. On any given night, HomeFront provides shelter, transitional housing, or permanent service-enriched housing to over 450 people. Two-thirds of them are children.

HomeFront recognizes that there is no one-size-fits-all solution to helping families break the cycle of poverty. They do not just put a roof over people’s heads; they address the array of problems that cause homelessness and poverty. 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 programs and services include intensive case management, homelessness prevention, free groceries, diapers, and period products, clothing and household goods through its HomeFront FreeStore, assistance locating affordable housing, health and wellness education, family literacy, high school equivalency preparation, and job placement and readiness skills. Special programming for children includes a fully licensed early childhood development program, summer camp, afterschool tutoring, and special events and activities.

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 Preservation Center, inside the Family Campus, serves as an emergency shelter for 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, 25,548 unique individuals came to HomeFront for - and were given - shelter, food and life-changing assistance.

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

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

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

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes. Net assets without donor restrictions include both designated and undesignated funds.

- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

### Use of Estimates

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

### Cash and Cash Equivalents

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

### Accounts and Grants Receivable

Grants receivable consists mainly of grant funds receivable from the various federal and state government agencies. Accounts receivable consists primarily of program fees. The change in net assets is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. At September 30, 2023 and 2022, the allowance for doubtful accounts was $50,904 and $47,669, respectively.

### Investments

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

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

### Property and Equipment

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

### Valuation of Long-Lived Assets

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

### Public Support and Revenue Recognition

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

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

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

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

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

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

### Public Support and Revenue Recognition (Continued)

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

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

| | Year Ended September 30, 2023 | Year Ended September 30, 2022 |
|---|---|---|
| Revenue recognized at a point in time (ASC 606) | | |
| Homes by TLC revenue | $ 394,852 | $ 407,475 |
| Program fees | 2,458,265 | 1,916,558 |
| Other income | 305,333 | 369,426 |
| Thrift store revenue | 249,825 | - |
| Total revenue recognized at a point in time (ASC 606) | 3,408,275 | 2,693,459 |
| Grants, contributions and other revenue not subject to ASC 606 | | |
| Contributions - financial assets | 4,616,521 | 6,476,956 |
| Grants - government, corporate and foundation | 5,908,657 | 4,481,998 |
| Investment return (loss), net of fees | 1,091,563 | (1,445,872) |
| Contributions - nonfinancial assets | 6,481,278 | 6,013,381 |
| Total grants, contributions and other revenue not subject to ASC 606 | 18,098,019 | 15,526,463 |
| Total revenue | $ 21,506,294 | $ 18,219,922 |

### Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are recorded as contributions and expenses at fair value as of the date of donation. Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

### Income Taxes

HomeFront is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended September 30, 2023 and 2022.

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

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of September 30, 2023 and 2022, or in the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

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

### Leases

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

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

Leases with a term of twelve months or less are considered short-term leases and are accounted for as an expense in the statement of activities as rental payments are incurred.

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

The Organization's lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Prior to October 1, 2022, and the implementation of Topic 842, operating leases were accounted for as expense in the statement of activities when the rental expense was incurred. No asset or liability was recorded for operating leases.

### Functional Allocation of Expenses

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

### Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, and subsequent amendments to the initial guidance (collectively, Topic 842), requiring a lessee that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statement of financial position. The standard was adopted using a modified retrospective approach. The results for reporting periods after September 30, 2022, are presented under Topic 842, while prior periods have not been adjusted. As a result of the adoption of Topic 842, the Organization recognized a right-of-use asset and liability at September 30, 2023 of $862,020 and $865,389, respectively, for operating leases in the statements of financial position.

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

### Recent Accounting Pronouncement

In September 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 replaced the previous "incurred loss" model for recognizing credit losses (i.e., losses are not recorded until it is probable that a loss has been incurred) with the current expected credit loss (CECL) model under which all expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost or are classified as available for sale are required to be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions. ASU 2016-13 will be effective for the Organization for the year ending September 30, 2024. The Organization is currently evaluating the impact ASU 2016-13 will have on its financial statements.

### Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through March 28, 2024, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

### Reclassifications

Certain prior year amounts were reclassified in order to conform to the current year presentation.

## C. AVAILABILITY AND LIQUIDITY

The following table represents the Organization's financial assets at September 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statements of financial position date.

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 1,558,454 | $ 1,196,853 |
| Accounts receivable, net | 634,372 | 603,552 |
| Grants and contracts receivable | 1,044,072 | 407,794 |
| Pledges receivable, current | 46,668 | 46,668 |
| Total financial assets | 3,283,566 | 2,254,867 |
| Less amounts not available to be used within one year | | |
| Net assets with donor restrictions | (220,834) | (563,847) |
| Financial assets available to meet general expenditures over the next 12 months | $ 3,062,732 | $ 1,691,020 |

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

## D. INVESTMENTS

Investments as of September 30, 2023 and 2022, are as follows:

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

| | September 30, 2022 | | |
|---|---|---|---|
| | Fair Value | Cost | Unrealized gain (loss) |
| Cash and cash equivalents | $ 22,350 | $ 22,350 | $ - |
| Fixed income | 1,221,151 | 1,234,514 | (13,363) |
| Equity securities | 922,982 | 1,000,000 | (77,018) |
| Princeton Area Community Foundation pooled funds | 7,944,362 | 7,875,799 | 68,563 |
| Balance, end of year | $ 10,110,845 | $ 10,132,663 | $ (21,818) |

## E. FAIR VALUE MEASUREMENT

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

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

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

## E. FAIR VALUE MEASUREMENT (CONTINUED)

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

During the years ended September 30, 2023 and 2022, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

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

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

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

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

Assets measured at fair value on a recurring basis as of September 30, 2023 and 2022, are summarized as follows:

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

| | September 30, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 22,350 | $ - | $ - | $ 22,350 |
| Fixed income | - | 1,221,151 | - | 1,221,151 |
| Equity securities | 922,982 | - | - | 922,982 |
| Princeton Area Community Foundation pooled funds | - | - | 7,944,362 | 7,944,362 |
| Total investments | $ 945,332 | $ 1,221,151 | $ 7,944,362 | $ 10,110,845 |

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

## E. FAIR VALUE MEASUREMENT (CONTINUED)

| | Years Ended September 30, 2023 | 2022 |
|---|---|---|
| Balance, beginning of year | $ 7,944,362 | $ 6,969,939 |
| Contributions | 57,877 | 2,333,864 |
| Interest and dividend income, net of fees | 92,676 | 76,160 |
| Unrealized gain (loss) | 712,269 | (1,435,601) |
| Amount appropriated for expenditures | (1,100,000) | - |
| Balance, end of year | $ 7,707,184 | $ 7,944,362 |

## F. ENDOWMENTS

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

**Interpretations of Relevant Law**
The Organization's Board of Trustees has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of September 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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

## F. ENDOWMENTS (CONTINUED)

### 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.

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

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 522,516 | $ 4,019,098 | $ 4,541,614 |
| Endowment contributions | - | 57,876 | 57,876 |
| Investment return, net | 38,226 | 422,613 | 460,839 |
| Amounts appropriated for expenditure | 175,300 | (175,300) | - |
| Endowment net assets, end of year | $ 736,042 | $ 4,324,287 | $ 5,060,329 |

Changes in endowment net assets for the year ended September 30, 2022, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 404,477 | $ 3,972,621 | $ 4,377,098 |
| Endowment contributions | - | 939,299 | 939,299 |
| Investment return, net | (28,561) | (746,222) | (774,783) |
| Amounts appropriated for expenditure | 146,600 | (146,600) | - |
| Endowment net assets, end of year | $ 522,516 | $ 4,019,098 | $ 4,541,614 |

## G. PROPERTY AND EQUIPMENT

In a quitclaim deed, dated September 30, 2013, between the Organization and the federal government, the Organization agreed to renovate and maintain the former Navy Base located in Ewing, New Jersey as its new HomeFront Family Campus homeless shelter. If the Organization ceases to use the property as a homeless shelter, the property will revert back to the federal government. The initial capital costs for this project have been classified as net assets with donor restrictions. Net assets are released from the restriction annually in amounts equal to the depreciation of those initial capitalized costs associated with the property, which was $233,657 for the years ended September 30, 2023 and 2022.

## G. PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment are comprised of the following as of September 30, 2023 and 2022:

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Building and building improvements - HomeFront Family Campus | $ 6,132,107 | $ 6,042,107 |
| Leasehold improvements | 2,443,150 | 1,626,911 |
| Vehicles | 779,195 | 782,025 |
| Office furniture and equipment | 971,589 | 902,829 |
| Construction in progress | - | 476,403 |
| Subtotal | 10,326,041 | 9,830,275 |
| Less: accumulated depreciation | 3,322,555 | 2,996,466 |
| Property and equipment, net | $ 7,003,486 | $ 6,833,809 |

## H. LINE OF CREDIT

The Organization has a $250,000 line of credit with Bank of America available through May 31, 2024. The credit line calls for monthly payments of interest only at the bank's prime rate plus 1.25%. There were no outstanding borrowings at September 30, 2023 and 2022.

## I. FORGIVABLE MORTGAGES PAYABLE

The Organization has executed two contractual agreements in the form of mortgage notes with the New Jersey Department of Community Affairs for use in constructing the FPC. Funds in the original amount of $600,000 were recognized as a loan payable.

The agreements include a provision for annual forgiveness of debt at the rate of 10% per year, provided the FPC is still being used for such purpose. Debt forgiveness occurs on the anniversary date of the issuance of the certificate of occupancy, and for nine years thereafter. The FPC became operational in August 2015 with a certificate of occupancy issued October 2015; therefore, loan forgiveness began during the year ended September 30, 2017. The unforgiven balance at September 30, 2023 and 2022, was $180,000 and $240,000, respectively.

As of September 30, 2023, future amounts of mortgage forgiveness to be recognized are as follows:

| Year Ending September 30, | |
|---|---|
| 2024 | $ 60,000 |
| 2025 | 60,000 |
| 2026 | 60,000 |
| | $ 180,000 |

## J. RETIREMENT PLAN

The Organization maintains a retirement plan under Internal Revenue Code Section 401(k) covering all employees meeting certain eligibility requirements. The plan is funded by employee contributions with matching funds contributed by the Organization up to a maximum of 3% of participating employees' eligible compensation. Contributions made by the Organization during the years ended September 30, 2023 and 2022, were $131,117 and $114,964, respectively, and are included in payroll taxes and benefits in the statements of functional expenses.

## K. NET ASSETS

### Without Donor Restrictions

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

- Operating reserve – established to ensure the stability of the mission, programs, employment and ongoing operations of the Organization. Withdrawal from this fund requires approval from the Organization's Board of Trustees.

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

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

Board-designated net assets as of September 30, 2023 and 2022, are as follows:

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| Operating reserve | $ 3,500,000 | $ 3,500,000 |
| HomeFront Impact Fund | 2,410,979 | 2,500,000 |
| HomeFront Workforce Fund | 500,000 | 1,000,000 |
| Total board-designated net assets | $ 6,410,979 | $ 7,000,000 |

### With Donor Restrictions

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

| | September 30, 2023 | September 30, 2022 |
|---|---|---|
| HomeFront Family Campus | $ 3,764,379 | $ 3,998,036 |
| Endowment fund assets | | |
| Corpus | 4,087,090 | 4,029,214 |
| Accumulated earnings (losses) | 237,197 | (10,116) |
| Pledges receivable for endowment | - | 6,668 |
| Contributions related to programs | 220,834 | 523,184 |
| Total net assets with donor restrictions | $ 8,309,500 | $ 8,546,986 |

## K. NET ASSETS (CONTINUED)

### With Donor Restrictions (Continued)

Net assets were released from donor restrictions as follows:

| | Year Ended September 30, 2023 | Year Ended September 30, 2022 |
|---|---|---|
| HomeFront Family Campus | $ 233,657 | $ 233,657 |
| Contributions related to programs | 472,133 | 571,885 |
| Total net assets released from donor restrictions | $ 705,790 | $ 805,542 |

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

## L. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets received during the years ended September 30, 2023 and 2022, consisted of the following:

| | Year Ended September 30, 2023 | Year Ended September 30, 2022 |
|---|---|---|
| Meals, food, diapers, personal care products, clothing and toys distributed to clients | $ 5,526,937 | $ 5,141,763 |
| Vehicles, computers, household furnishings and other supplies distributed to clients | 698,466 | 492,518 |
| Professional services and postage | 56,375 | 179,600 |
| Rent below fair market value | 199,500 | 199,500 |
| Total contributed nonfinancial assets | $ 6,481,278 | $ 6,013,381 |

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

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

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

## L. CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

All gifts-in-kind received by the Organization for the years ended September 30, 2023 and 2022, were without donor restrictions and were available to be used by the Organization as determined by management.

The Organization also received donated services from volunteers, which are not reflected in the accompanying financial statements because the criteria for recognition under accounting principles generally accepted in the United States of America has not been satisfied. Volunteers worked approximately 40,000 and 35,000 hours in the years ended September 30, 2023 and 2022, respectively. If such volunteer hours were valued, they would approximate $1,272,000 and $1,048,000 for the years ended September 30, 2023 and 2022, respectively, based on current rates paid by the Organization for similar services.

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

## M. OPERATING LEASES

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

Short-term lease costs for the year ended September 30, 2023, were $91,800.

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

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

Lease expense recognized under ASC 840 was $331,950 for the year ended September 30, 2022.

As of September 30, 2023, the maturity analysis of the annual undiscounted cash flows of the operating lease were as follows:

| Years Ending September 30, | | |
|---|---|---|
| 2024 | $ | 157,116 |
| 2025 | | 161,832 |
| 2026 | | 161,832 |
| 2027 | | 161,832 |
| 2028 | | 161,832 |
| Thereafter | | 161,832 |
| Total minimum payments | | 966,276 |
| Less: present value discount | | (100,887) |
| Total lease liabilities | $ | 865,389 |

## M. OPERATING LEASES (CONTINUED)

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

| | |
|---|---|
| Weighted average remaining lease term (in years) | |
| Operating leases | 5.93 |
| Weighted average discount rate | |
| Operating leases | 3.79% |

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

| | | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Cash flows from operating leases | $ | 122,289 |
| Property and equipment acquired through operating leases | | 987,678 |
| Total | $ | 1,109,967 |

## N. RELATED-PARTY TRANSACTIONS

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

Homes by TLC, Inc. pays fees to HomeFront, Inc. for the services performed by HomeFront, Inc. employees. These services are provided based on agreements approved by both organizations on an annual basis. For the years ended September 30, 2023 and 2022, these amounts totaled approximately $394,852 and $407,475, respectively. Of these amounts, $98,300 was receivable as of September 30, 2023. No amounts were receivable as of September 30, 2022.

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

Homes by TLC, Inc. also rents various residential properties to HomeFront, Inc. under operating leases which expired in September 2023. These leases have been renewed until September 30, 2024 (see Note M).

## O. CONCENTRATIONS OF RISKS AND UNCERTAINTIES

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

During the year ended September 30, 2023, the Organization received approximately 21% of its total revenue from contribution income, 11% from program fees, 30% from in kind donations, and 21% from government grants. During the year ended September 30, 2022, the Organization received approximately 36% of its total revenue from contribution income, 11% from program fees, 33% from in kind donations, 14% from government grants, and 11% from corporate and foundation grant.

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

The Organization is subject to audits by certain federal and state departments, which may result in findings based on various issues. Anticipation of potential audit results is currently not determinable. Accordingly, no accruals have been recorded in the financial statements for any adjustments that might be required based on potential future audits.

## P. LITIGATION

From time to time, the Organization is subject to litigation that arises in the ordinary course of conducting activities. In accordance with U.S. GAAP, HomeFront recognizes such contingencies in the financial statements when it is both probable that a material liability has been incurred and the amount can be reasonably estimated. In management's opinion, the resolution of litigation matters would not have a material effect on the financial position of the Organization at September 30, 2023 and 2022.

# SUPPLEMENTARY INFORMATION

**HOMEFRONT, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Grant Period | Current Year Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | | | |
| Passed through NJ Department of Community Affairs: | | | | | |
| Homeless Prevention & Rapid Re-Housing 2 2019 - CVERAP | 14.231 | 2019-02156-0334-13 | 12/01/18 - 09/04/23 | $ 21,500 | $ - |
| COVID-19 Shelter Support 2020 - Emergency Solutions Grant | 14.231 | 2020-02140-0417-08 | 11/01/20 - 09/04/23 | 1,127,228 | - |
| Shelter Support 2022 - Emergency Solutions Grant | 14.231 | 2022-02149-0302-00 | 04/01/22 - 07/31/23 | 44,325 | - |
| Passed through City of Trenton | | | | | |
| Emergency Solutions Grant (ESG-CV) | 14.231 | E-20-MW-34-0007 | 07/01/22 - 06/30/23 | 20,000 | - |
| Subtotal | | | | 1,213,053 | - |
| Mercer County Leasing 2011 | 14.267 | NJ0368L2F142109 | 08/01/22 - 07/31/23 | 184,094 | - |
| Total U.S. Department of Housing and Urban Development | | | | 1,397,147 | - |
| U.S. Department of Health and Human Services | | | | | |
| Passed through NJ Department of Community Affairs | | | | | |
| Access to Counsel Pilot | 21.023 | 2021-05220-0286-02 | 07/01/21 - 12/31/22 | 45,438 | - |
| Comprehensive Eviction Defense & Diversion | 21.027 | 2023-05349-0809-00 | 02/01/23 - 01/31/24 | 231,633 | - |
| 477 Cluster | | | | | |
| Passed through NJ Department of Community Affairs | | | | | |
| Access to Counsel Pilot | 93.569 | 2021-05220-0286-02 | 07/01/21 - 12/31/22 | 33,379 | - |
| Passed through the County of Mercer | | | | | |
| Mercer County - LCC / CSBG Non-Discretionary COVID-19 CARES Act Grant Funds | 93.569 | RESOL2021-119 | 01/01/21 - 12/31/22 | 37,356 | - |
| Mercer County - LCC / CSBG | 93.569 | RESOL2022-127 | 01/01/22 - 12/31/23 | 100,000 | - |
| Subtotal | | | | 137,356 | - |
| Passed through NJ Department of Human Services Division of Family Development | | | | | |
| NJ ARP Stabilization Grant | 93.575 | FR - 003680 | 09/01/21 - 08/31/23 | 25,000 | - |
| Subtotal 477 Cluster | | | | 195,735 | - |
| Thriving Families: Evaluation of Self-Sufficiency Programming (ACF) | 93.595 | 90PE0059-01-00 | 10/01/22 - 09/30/23 | 78,041 | - |
| Thriving Families: Evaluation of Self-Sufficiency Programming (ACF) | 93.595 | 90PE0059-02-00 | 10/01/22 - 09/30/23 | 195,663 | - |
| Subtotal | | | | 273,704 | - |
| Total U.S. Department of Health and Human Services | | | | 746,510 | - |

**HOMEFRONT, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended September 30, 2023

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Grant Period | Current Year Expenditures | Passed Through to Subrecipients |
|---|---|---|---|---|---|
| U.S. Department of Labor | | | | | |
| WIOA Cluster | | | | | |
| Passed through NJ Department of Labor and Workforce Development | | | | | |
| Mercer County - Workfirst/CWEP Program | 17.258 | PY2022-672 | 10/01/22 - 6/30/24 | 213,156 | - |
| Mercer County - Workfirst/OCCU Program | 17.258 | PY2022-673 | 10/01/22 - 6/30/24 | 209,548 | - |
| Subtotal WIOA Cluster | | | | 422,704 | - |
| Total U.S. Department of Labor | | | | 422,704 | - |
| U.S. Department of Education | | | | | |
| Passed through NJ Department of Education | | | | | |
| Monmouth-Ocean Educational Services Commission | 84.196 | N/A | 07/01/22 - 06/30/23 | 71,250 | - |
| Monmouth-Ocean Educational Services Commission | 84.196 | N/A | 07/01/23 - 06/30/24 | 28,733 | - |
| Subtotal | | | | 99,983 | |
| Trenton Board of Education | 84.010 | N/A | 07/01/22 - 06/30/23 | 141,520 | - |
| Total U.S. Department of Education | | | | 241,503 | - |
| U.S. Department of Homeland Security | | | | | |
| Emergency Food and Shelter National Board - Phase 36 CARES | 97.024 | N/A | 11/01/21 - 04/30/23 | 15,000 | - |
| Total U.S. Department of Homeland Security | | | | 15,000 | - |
| U.S. Department of Agriculture | | | | | |
| Child & Adult Food Care Program | 10.558 | N/A | 10/01/22 - 09/30/23 | 88,593 | - |
| Total U.S. Department of Agriculture | | | | 88,593 | - |
| Total Expenditures of Federal Awards | | | | $ 2,911,457 | $ - |

**HOMEFRONT, INC.**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2023

| State Grantor Department and Program Title/Name | State Grant Award or Account Number | Grant Period | Fiscal Year Grant Expenditures | Total Grant Expenditures to Date |
|---|---|---|---|---|
| New Jersey Department of Children and Families | | | | |
| Division of Child Protection and Permanency | | | | |
| Resource Network and Family Preservation Center Children's Program | 23CSLC | 07/01/22 - 06/30/23 | $ 7,770 | $ 11,654 |
| Family Support Services | N/A | N/A | 11,665 | 11,665 |
| Subtotal | | | 19,435 | 23,319 |
| Total New Jersey Department of Children and Families | | | 19,435 | 23,319 |
| New Jersey Department of Health and Senior Services | | | | |
| Division of HIV/AIDS Services | | | | |
| Passed through Henry J. Austin Health Center, Inc. | | | | |
| HIV/AIDS Housing | DHST23HIV034 | 07/01/22 - 06/30/23 | 152,458 | 152,458 |
| HIV/AIDS Housing | DHST23CTR006 | 07/01/23 - 06/30/24 | 32,822 | 32,822 |
| Subtotal | | | 185,280 | 185,280 |
| Passed through Mercer County Department of Human Services | | | | |
| Homelessness Prevention | RES #2021-52 | 01/01/21 - 12/31/22 | 5,441 | 145,338 |
| Homelessness Prevention | RES #2023-79 | 01/01/23 - 12/31/23 | 72,592 | 72,592 |
| Subtotal | | | 78,033 | 217,930 |
| Total New Jersey Department of Health and Senior Services | | | 263,313 | 403,210 |
| New Jersey Department of Human Services | | | | |
| Division of Mental Health & Addiction Services | | | | |
| Passed through Capital Health System: | | | | |
| For My Baby and Me | DFHS181O5005(2) | 07/01/22 - 06/30/23 | 446,986 | 582,150 |
| For My Baby and Me | DFHS181O5005(2) | 07/01/23 - 06/30/24 | 66,834 | 66,834 |
| Subtotal | | | 513,820 | 648,984 |
| Total New Jersey Department of Human Services | | | 513,820 | 648,984 |

**HOMEFRONT, INC.**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (CONTINUED)
Year Ended September 30, 2023

| State Grantor Department and Program Title/Name | State Grant Award or Account Number | Grant Period | Fiscal Year Grant Expenditures | Total Grant Expenditures to Date |
|---|---|---|---|---|
| New Jersey Department of Community Affairs | | | | |
| Homeless Prevention & Rapid Re-Housing 2 2019 | 2019-02156-0334-13 | 12/01/18 - 09/04/23 | 54,897 | 178,000 |
| Homeless Prevention & Rapid Re-Housing 2023 | 2023-02156-0433-01 | 01/01/23 - 12/31/23 | 61,775 | 61,775 |
| Prevention of Homelessness 2018 | 2018-02150-0196-13 | 02/01/18 - 07/31/23 | 53,505 | 970,887 |
| Prevention of Homelessness 2019 | 2019-02150-0592-05 | 08/01/19 - 07/31/23 | 131,070 | 351,000 |
| Shelter Support - 2014 | 2014-02149-0129-00 | 12/09/15 - 12/09/25 | 30,000 | 210,000 |
| Shelter Support - 2015 | 2015-02149-0129-00 | 12/09/15 - 12/09/25 | 30,000 | 210,000 |
| BRIDGES | 2023-05208-0827-00 | 07/01/22 - 06/30/24 | 482,250 | 482,250 |
| 2023 Shelter Providers Grant | 2023-05339-0381-00 | 07/01/22 - 06/30/24 | 250,000 | 250,000 |
| Subtotal | | | 1,093,497 | 2,713,912 |
| Total New Jersey Department of Community Affairs | | | 1,093,497 | 2,713,912 |
| New Jersey Economic Development Authority | | | | |
| Small Business Improvement Grant | | | 50,000 | 50,000 |
| Total New Jersey Economic Development Authority | | | 50,000 | 50,000 |
| Total Expenditures of State Financial Assistance | | | $ 1,940,065 | $ 3,839,425 |

*Note 1. Basis of Presentation*

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal award and state financial activity of the Organization under programs of the federal and state government for the year ended September 30, 2023. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey, Circular Letter 15-08-OMB*, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Because the Schedules present only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, change in net assets or cash flows of the Organization.

*Note 2. Summary of Significant Accounting Policies*

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

*Note 3. Indirect Cost Rate*

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

*Note 4. Subrecipients*

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

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

| | |
|---|---|
| Federal and state government grants revenue per audit: | $ 4,524,965 |
| Add: Amounts reported as program fees | 326,557 |
| Adjusted government grants revenue per audit | 4,851,522 |
| | |
| Expenses per Schedules | |
| Schedule of Federal Awards | $ 2,911,457 |
| Schedule of State Financial Assistance | 1,940,065 |
| Total expenses per Schedules | 4,851,522 |
| | |
| Variance | $ - |

**HOMEFRONT, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2023

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

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

Internal control over financial reporting

| | | | | |
|---|---|---|---|---|
| • Material weaknesses identified? | ____ | Yes | X | No |
| • Significant deficiencies identified? | ____ | Yes | X | None Reported |

| | | | | |
|---|---|---|---|---|
| Noncompliance material to financial statements noted? | ____ | Yes | X | No |

***Federal Awards and State Financial Assistance***

Internal control over major programs

| | | | | |
|---|---|---|---|---|
| • Material weaknesses identified? | ____ | Yes | X | No |
| • Significant deficiencies identified? | ____ | Yes | X | None Reported |

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

| | | | | |
|---|---|---|---|---|
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and the Circular | ____ | Yes | X | No |

Identification of major programs

| State Grant Award or Account Number/ Federal Assistance Listing Number | Name of Federal and State Programs |
|---|---|
| 14.231 | U.S. Department of Housing and Urban Development<br>Passed through NJ Department of Community Affairs<br>Homeless Prevention & Rapid Re-Housing 2 2019- CVERAP<br>COVID-19 Shelter Support 2020 – Emergency Solutions Grant<br>Shelter Support 2022 – Emergency Solutions Grant<br>Passed through City of Trenton<br>Emergency Solutions Grant (ESG-CV) |
| 2023-05208-0827-000 | New Jersey Department of Community Affairs, BRIDGES |

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

| | | | | |
|---|---|---|---|---|
| Auditee qualified as low-risk auditee? | X | Yes | ____ | No |

**Section II - Financial Statement Findings**

No matters were reported.

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

No matters were reported.

**Section IV - Prior Year Audit Findings**

No matters were reported.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Homefront, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Homefront, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 28, 2024

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

To the Board of Trustees of
Homefront, Inc.

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

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

We have audited Homefront, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended September 30, 2023. The Organization's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2023.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance") and State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Our responsibilities under those standards and the Uniform Guidance and the Circular are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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



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

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

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

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

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

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

**Report on Internal Control Over Compliance**

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

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

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

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

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

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

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

March 28, 2024