

FAMILY PROMISE, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2016



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

FAMILY PROMISE, INC.

DECEMBER 31, 2016

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7-16
Supplementary Information:	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards.....	18
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Schedule of Findings and Questioned Costs.....	21



SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

293 Eisenhower Parkway
Livingston, NJ 07039-1711
Office: 973-994-9494
Fax: 973-994-1571
www.sobel-cpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Family Promise, Inc.
Summit, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Family Promise, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 Family Promise, Inc. as of December 31, 2016, 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.

Emphasis of a Matter

As discussed in Note 3 to the financial statements, beginning net assets were restated at January 1, 2016, to correct for the recording of additional revenues earned by the Organization and to correct temporarily restricted net assets. 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 awards on page 17, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017, on our consideration of Family Promise, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Sobel & Co, LLC
Certified Public Accountants

Livingston, New Jersey
May 17, 2017

FAMILY PROMISE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 609,901
Pledges receivable, net	88,002
Grants receivable	76,673
Accounts receivable	3,283
Investments	1,201,298
Prepaid expenses	13,707
Total Current Assets	<u>1,992,864</u>

Property and equipment, net	195,254
Pledges receivable-noncurrent	<u>37,575</u>
	<u>\$ 2,225,693</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 34,515</u>
---------------------------------------	------------------

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Unrestricted	650,388
Board-designated endowment	<u>1,250,821</u>
Total unrestricted net assets	1,901,209
Temporarily restricted	<u>289,969</u>
Total Net Assets	<u>2,191,178</u>
	<u>\$ 2,225,693</u>

FAMILY PROMISE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Temporarily		
	Unrestricted	Restricted	Total
Revenue and Other Support:			
Individuals	\$ 484,704	\$ 18,423	\$ 503,127
Congregations	45,429	10,000	55,429
Foundations	194,900	136,400	331,300
Corporations	236,013	2,400	238,413
Civic organizations	7,919	-	7,919
Government	141,100	-	141,100
Fundraising events	422,948	38,746	461,694
Sales, networks, and other income	573,268	-	573,268
Interest and dividends	32,049	-	32,049
Unrealized and realized gains on investments	62,553	-	62,553
Net assets released from restriction	127,766	(127,766)	-
Total Revenue and Other Support	2,328,649	78,203	2,406,852
Expenses:			
Program services	1,667,484	-	1,667,484
Management and general	137,323	-	137,323
Fundraising	156,942	-	156,942
Total Expenses	1,961,749	-	1,961,749
Changes in Net Assets	366,900	78,203	445,103
NET ASSETS:			
Beginning of Year (Note 3)	1,534,309	211,766	1,746,075
End of Year	\$ 1,901,209	\$ 289,969	\$ 2,191,178

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

FAMILY PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 822,528	\$ 67,738	\$ 77,414	\$ 967,680
Payroll taxes and benefits	118,616	9,768	11,164	139,548
Total Salaries and Related Expenses	941,144	77,506	88,578	1,107,228
Facility rental and meals	139,454	11,484	13,125	164,063
Printing and photocopying	25,372	2,090	2,388	29,850
Office supplies and expense	91,520	7,537	8,614	107,671
Postage	16,426	1,353	1,546	19,325
Dues and subscriptions	16,140	1,329	1,519	18,988
Utilities	22,346	1,840	2,103	26,289
Travel expenses	102,294	8,425	9,629	120,348
Insurance	14,216	1,171	1,338	16,725
Telephone	8,372	689	788	9,849
Professional fees and consultants	66,429	5,471	6,252	78,152
Rent expense	28,514	2,348	2,684	33,546
Interns and regional representatives	47,642	3,923	4,484	56,049
Manuals and merchandise	7,378	608	694	8,680
Van maintenance	4,574	377	431	5,382
Rental assistance	26,661	2,196	2,509	31,366
Emergency fund for families	10,005	824	942	11,771
Childcare and daycenter	18,928	1,559	1,782	22,269
Investment fees	7,752	638	730	9,120
Total Expenses before Depreciation and Amortization	1,595,167	131,368	150,136	1,876,671
Depreciation and amortization	72,317	5,955	6,806	85,078
Total Expenses	\$ 1,667,484	\$ 137,323	\$ 156,942	\$ 1,961,749

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

FAMILY PROMISE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS PROVIDED BY (USED FOR):

OPERATING ACTIVITIES:

Changes in net assets	\$ 445,103
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	85,078
Unrealized and realized gains on investments	(62,553)
Changes in operating assets and liabilities:	
Pledges receivable	(47,540)
Grants receivable	(53,330)
Accounts receivable	(3,283)
Prepaid expenses	(6,130)
Security deposit	900
Accounts payable and accrued expenses	11,166
Net Cash Provided by Operating Activities	<u>369,411</u>

INVESTING ACTIVITIES:

Purchases of property and equipment	(3,446)
Purchases of investments	(715,963)
Proceeds from sale of investments	463,294
Net Cash Used for Investing Activities	<u>(256,115)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 113,296

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>496,605</u>
End of year	<u>\$ 609,901</u>

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - NATURE OF ORGANIZATION:

Family Promise, Inc. ("Organization"), formerly known as The National Interfaith Hospitality Networks, Inc., is a nonprofit, nondenominational, volunteer-based organization that mobilizes communities to help homeless and low-income families achieve sustainable independence through the creation of local network programs. The Organization is supported primarily through donor contributions and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements 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:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets - 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.

Fair Value:

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.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Fair Value: (Continued)

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 used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair values of investments are as follows:

Mutual funds - Valued at the net asset value of shares held by the Organization at year-end.

Fixed income - Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices provided by investment brokers.

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Allowance for Doubtful Accounts:

Management uses the allowance method for reserving against uncollectible receivables. The reserves are based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. At December 31, 2016, no allowance was deemed necessary.

Property and equipment:

Property and equipment are stated at cost or fair value at the date of gift for donated assets. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Property and equipment: (Continued)

Depreciation and amortization are provided under the straight-line method based upon the following estimated useful lives:

<u>Description</u>	<u>Estimated Life</u>
Leasehold improvements	5-20 years
Furniture and equipment	3-7 years

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments that extend the useful lives of the assets are capitalized.

Pledges Receivable:

Unconditional promises to give are recognized as revenue or gains in the period pledged and as assets or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable due in one year are recorded at their net realizable value. Pledges receivable due in more than one year are recorded at the present value of their net realizable value, utilizing a risk-time rate based on U.S. treasury notes.

Contributions:

Contributions that are restricted by a donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition:

Funds received from various government agencies represent grants awarded to the Organization to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Contributed Services:

Numerous unpaid volunteers have made significant contributions of their time in support of various program activities of the Organization; however, since the services do not require specialized skills, and do not enhance nonfinancial assets, no amounts have been reflected in these financial statements.

During 2016, the Organization also received donated legal services in the amount of approximately \$8,300 for routine legal services and is included in corporate contributions on the statement of activities and changes in net assets.

Functional Expenses:

Costs of providing the Organization's programs, management and general, and fundraising activities are separately summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising activities using reasonable ratios determined by management. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization.

Income Taxes:

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

The Organization follows accounting 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 financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. No interest and penalties were recorded during the year ended December 31, 2016. At December 31, 2016, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's financial statements.

Use of Estimates:

In preparing 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. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2016 through May 17, 2017, the date that the financial statements were available to be issued.

NOTE 3 - RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

The accompanying financial statements for 2016 have been restated to correct an understatement in revenue and pledges receivable and future pledges still outstanding not reported in the year ended December 31, 2015. The accompanying financial statements for 2016 have also been restated to correct an understatement in revenue and grants receivable and to reclassify the Board-designated endowment from temporarily restricted net assets to unrestricted net assets. The effect of the restatement was to increase the change in unrestricted net assets as previously reported by \$506,653 and decrease the change in temporarily restricted net assets as previously reported by \$405,273.

The effect of the restatement on the change in unrestricted and temporarily restricted net assets and financial position as of and for the year ended December 31, 2015, is as follows:

	As Previously Reported	Restated
Fundraising revenue	\$ 406,403	\$ 484,440
Government revenue	68,030	91,373
Change in net assets	(115,872)	(14,492)
Pledges receivable	-	78,037
Grants receivable	-	23,343
Net assets	1,644,695	1,746,075

NOTE 4 - PLEDGES RECEIVABLE:

Pledges receivable at December 31, 2016, are as follows:

Pledges receivable in less than one year	\$ 88,002
Pledges receivable in one to three years	38,746
Less: Discount to net present value	(1,171)
	<u>\$ 125,577</u>

Pledges receivable in more than one year are discounted at 1.47% (three-year treasury rate) for the year ended December 31, 2016.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - INVESTMENTS:

Investments are categorized as follows:

	Fair Value Measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 845,512	\$ -	\$ -	\$ 845,512
Fixed income	-	355,786	-	355,786
Investments at Fair Value	\$ 845,512	\$ 355,786	\$ -	\$ 1,201,298

The following schedule summarizes investments by strategy as of December 31, 2016:

	Mutual Funds	Fixed Income
Large growth	38%	-
Large blend	24%	-
Large value	20%	-
Multi-alternative	3%	-
Mid-cap growth	2%	-
Global real estate	2%	-
Small value	2%	-
Small growth	2%	-
Small blend	2%	-
Intermediate-term bond	5%	67%
Long-term bond	-	24%
Short-term bond	-	9%
Investments at Fair Value	100%	100%

The cost basis of the Organization's investments is approximately \$1,104,000.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2016, consist of the following:

Leasehold improvements	\$ 751,548
Office equipment and furniture	359,166
Website	45,140
Transportation equipment	34,292
	<hr/>
	1,190,146
Less: Accumulated depreciation	(994,892)
	<hr/>
Property and Equipment, Net	\$ 195,254

NOTE 7 - LEASES:

The Organization rents space on the second floor of a facility in downtown Summit, New Jersey, under an operating lease. Under the lease agreement, the Organization was obligated to pay rent starting in February 1999, until such time as they occupied the premises. The Organization moved into the premises during the first quarter of 2000. In lieu of rent for the next 20 years, the Organization paid for the building renovations in the amount of \$698,630 which are included in property and equipment on the statement of financial position. The leasehold improvements are being amortized over the life of the lease.

In June 2005, the Organization leased additional space on the first floor of the facility. The lease term is 15 years, the balance of the original 20-year lease for the second floor. Rent expense for the year ended December 31, 2016, amounted to \$33,546.

Future minimum lease payments are as follows:

Year Ended December 31,	
2017	\$ 33,546
2018	33,546
2019	33,546
2020	33,546
Total	<hr/>
	\$ 134,184

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 - LEASES: (Continued)

A portion of the first floor is subleased to another organization on an annual basis. Rental income for the year ended December 31, 2016, amounted to \$16,368 and is included in other income on the statement of activities and changes in net assets. The subtenant also reimburses the Organization for utilities as per the sublease agreement.

Future receipts from the sublease are as follows:

Year Ended December 31,	
2017	\$ 16,368
2018	16,368
2019	16,368
2020	16,368
Total	<u>\$ 65,472</u>

The Organization also leases space for its Family Promise – Union County Program in a church in Elizabeth, New Jersey. The term of the lease is from January 1, 2013 to December 31, 2017. In consideration of the cost of the renovations made by the Organization in the amount of \$52,918, the Organization shall occupy the leased premises rent-free. The Organization is obligated to pay \$1,500 per month for utilities.

NOTE 8 - BOARD-DESIGNATED NET ASSETS:

As of December 31, 2016, Board-designated endowment net assets are comprised of the following:

	Unrestricted
Endowment Net Assets, Beginning of year	<u>\$ 925,849</u>
Investment return:	
Investment income	31,247
Investment fees	(9,120)
Unrealized and realized gain on investments	<u>62,420</u>
Total Investment Return	<u>84,547</u>
Contributions	<u>240,425</u>
Appropriation for expenditure	<u>-</u>
Endowment Net Assets, End of year	<u>\$ 1,250,821</u>

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS:

As of December 31, 2016, temporarily restricted net assets are comprised of the following:

Development of networks	\$ 67,150
Family Promise – Lake Houston	35,000
Family Promise – Greater Ft. Hood	15,000
Family Promise – Union County	22,500
Partners in Housing	30,000
Establishment of Pacific Northwest Office	38,900
Housing for Change Marketing	19,423
Time restrictions	46,996
Equipment purchases	15,000
Total Temporarily Restricted Net Assets	<u>\$ 289,969</u>

NOTE 10 - RETIREMENT PLAN

The Organization has a 403(b) Annuity Plan with an insurance company. An employee becomes a participant in the elective deferral portion of the Plan on his/her first day of employment with the employer. The participant is eligible for the matching and nonelective contribution after 12 months of employment. The participant is 100% vested after 12 months of employment. The Organization's contribution for the year ended December 31, 2016, was \$17,093 and is included in payroll taxes and benefits on the statement of functional expenses.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash equivalents and investments are maintained with investment firms. Exposure to credit risk is reduced by placing such deposits and investments in high-quality financial institutions.

FAMILY PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

In 2013, the Organization received a grant of federal funds in the amount of \$33,000 under the Shelter and Support Services for Homeless Families, 2013 Program. The grant passed through the New Jersey Department of Community Affairs, Division of Housing and Community Resources. The funds were all expended on a 15-passenger van used for transportation of homeless families temporarily residing at the Organization's facility in Elizabeth, New Jersey.

The van was purchased on May 29, 2013. On each anniversary date for four years, 25% of the grant will be forgiven by the Department upon submission to the Department of a certification by the grantee that the van is being utilized for the transportation of homeless families temporarily residing at the emergency shelter. As of December 31, 2016, \$8,250 is temporarily restricted for time and is included in temporarily restricted net assets on the statement of financial position.

NOTE 13 - TAXES:

All required tax returns have been timely filed and taxes (including, but not limited to, payroll taxes) were either paid prior to December 31, 2016, or paid subsequent to year-end.

FAMILY PROMISE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-through Grantor Program Title	Federal CFDA	Grant Period	Pass-through Grantor's Number	Award Amount	Expenditures
United States Department of Housing and Urban Development					
<u>Passed through:</u>					
Union County Department of Human Services					
HEARTH Emergency Solutions (HES) Grant	14.231	8/1/15-7/31/16	15-HES-103	\$ 16,269	\$ 16,269
HEARTH Emergency Solutions (HES) Grant	14.231	8/1/16-7/31/17	16-HES-103	31,987	5,919
<u>Passed through:</u>					
NJ Department of Community Affairs					
Union County Department of Human Services					
Community Service Block Grant (CSBG)	93.569	1/1/16-12/31/16	16-CSB-102	51,322	51,295
<u>Passed through:</u>					
Union County Department of Human Services					
Community Development Block Grant (CDBG)	14.218	9/1/15-8/31/16	015-219	9,000	3,144
Community Development Block Grant (CDBG)	14.218	9/1/16-8/31/17	016-219	10,000	8,403
<u>Passed through:</u>					
NJ Department of Community Affairs					
Shelter Support	14.231	11/1/15-6/30/17	2016-02149-0106-00	40,878	33,264
Total Federal Awards					\$ 118,294

See independent auditors' report and notes to schedule of expenditures of federal awards.

FAMILY PROMISE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Family Promise, Inc. and is presented on the accrual basis of accounting. The information in this 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*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2016, the Organization did not provide any funds relating to their federal programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

During the year ended December 31, 2016, the Organization did not elect to use the de minimis cost rate when allocating indirect costs to its federal programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2016, the Organization did not have any loan or loan guarantee programs.



**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
Family Promise, Inc.
Summit, 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 Family Promise, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2016, 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 May 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. (Item 2016-001)

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*.

Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Sobel & Co., LLC
Certified Public Accountants

Livingston, New Jersey
May 17, 2017

FAMILY PROMISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the financial statements of Family Promise, Inc. was unmodified.

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to financial statements noted? Yes X No

II. Financial Statement Finding

Item 2016-001 Restatement of Beginning Net Assets

Condition: An adjustment was required to correct prior financial statements to reflect additional revenues earned by the Organization and correctly state temporarily restricted net assets.

Criteria: Unconditional promises to give are recognized as revenue in the period pledged and grant revenues are recognized as revenue to the extent of expenses incurred under the award terms. In addition, a Board-designated endowment is not considered a temporarily restricted fund but rather an unrestricted fund.

Effect: Opening unrestricted net assets at January 1, 2016, of \$1,027,656 were increased to \$1,534,309, temporarily restricted net assets of \$617,039 were decreased to \$211,766 and total net assets of \$1,644,695 were increased to \$1,746,075.

Recommendation: The Organization should record all revenue in the period earned and classify its Board-designated endowment as an unrestricted fund.

**Auditee Response
and Corrective**

Action Plan: The Organization is in agreement with the recommendation and will record such transactions accordingly.