Homeless Solutions, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2019

(With Comparative Totals For 2018)

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Homeless Solutions, Inc. and Subsidiaries
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For the Years Ended December 31, 2019 and 2018

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200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
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Independent Auditors' Report

To the Board of Trustees of
Homeless Solutions Inc. and Subsidiaries
Cedar Knolls, NJ

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Homeless Solutions Inc. and Subsidiaries (a nonprofit corporation) (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

To the Board of Trustees of
Homeless Solutions Inc. and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Homeless Solutions Inc. and Subsidiaries, as of December 31, 2019, and the changes in its consolidated statement of net assets and its consolidated statement of cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Homeless Solutions Inc. and Subsidiaries' 2018 financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated April 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 2, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Homeless Solutions Inc. and Subsidiaries' 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 Homeless Solutions Inc. and Subsidiaries' internal control over financial reporting and compliance.

Nisivoccia LLP
Mt. Arlington, New Jersey
October 2, 2020

Homeless Solutions Inc. and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2019 and 2018

ASSETS

	2019	2018
Assets:		
Cash and cash equivalents	$ 232,406	$ 1,267,621
Restricted cash for reserves	932,743	914,520
Investments	2,588,954	2,406,154
Beneficial interest in assets held by the Community Foundation of New Jersey		114,144
Grants and fees receivable	487,211	318,000
Mortgage receivable	627,406	
Pledges receivable, net	92,640	123,538
Due from 38-42 Abbett Avenue, LP	1,907,148	1,851,684
Prepaid expenses and other assets	102,494	96,277
Land, building, furniture and fixtures and equipment, net	14,739,949	13,499,732
Investment in partnership	26,616	26,628
Security deposits	26,965	32,823
Tenant security deposits	70,561	64,970
Total assets	$ 21,835,093	$ 20,716,091

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities:		
Accounts payable and accrued expenses	$ 122,881	$ 101,568
Accrued wages and vacation	20,234	99,385
Accrued interest expense, including imputed interest of $518,095 for 2019 and $460,127 for 2018	655,282	577,531
Deferred revenue	18,500	24,150
Deferred gain on sale	70,970	75,006
Tenant security deposits payable	68,641	63,054
Deferred support	453,912	391,821
Mortgages payable, net of deferred loan costs less accumulated amortization of $86,644 for 2019 and $75,262 for 2018	6,307,778	5,426,409
Total liabilities	7,718,198	6,758,924
Net assets:		
Without donor restrictions:		
Undesignated	(848,020)	161,715
Board designated	132,662	132,662
Net investment in capital	14,739,949	13,499,732
	14,024,591	13,794,109
With donor restrictions:		
Purpose restrictions	92,304	163,058
Total net assets	14,116,895	13,957,167
Total liabilities and net assets	$ 21,835,093	$ 20,716,091

Homeless Solutions Inc. and Subsidiaries
Consolidated Statement of Activities
Year Ended December 31, 2019
(With Summarized Comparative Totals for The Year Ended December 31, 2018)

	Without Donor Restrictions				Total	
	Undesignated	Board Designated	Net Investment In Capital	With Donor Restrictions	2019	2018
Revenue and other support:						
Government grants	$ 1,084,665				$ 1,084,665	$ 1,616,737
Contributions	1,429,662			$ 381,948	1,811,610	1,438,093
Donated services and supplies	359,224				359,224	337,691
Fundraising	621,667				621,667	603,762
Rental income	802,687				802,687	788,774
Management fees	8,763				8,763	14,399
Solar credits	6,577				6,577	29,324
Investment income	489,689				489,689	4,399
Net assets released from restrictions:						
Satisfaction of use restrictions	452,702			(452,702)		
Total revenue and other support	5,255,636			(70,754)	5,184,882	4,833,179
Expenses:						
Program services:						
Emergency shelter and services	2,028,788		84,058		2,112,846	2,038,360
Transitional housing	588,459		76,591		665,050	690,585
Housing development	869,968		244,659		1,114,627	902,530
Total program services	3,487,215		405,308		3,892,523	3,631,475
Supporting services:						
General and administrative	463,167		5,573		468,740	490,624
Fund Development	643,870		7,244		651,114	614,790
Total supporting services	1,107,037		12,817		1,119,854	1,105,414
Total expenses	4,594,252		418,125		5,012,377	4,736,889
Other income (loss):						
Gain on sale of fixed asset	4,036				4,036	4,036
Gain on sale of vehicle	2,000				2,000	
Loss on disposal of property	(18,813)				(18,813)	
Total other income (loss)	(12,777)				(12,777)	4,036
Change in net assets	648,607		(418,125)	(70,754)	159,728	100,326
Net assets, beginning of year	161,715	132,662	13,499,732	163,058	13,957,167	13,856,841
Transfer of net assets	(1,658,342)		1,658,342			
Net assets, end of year	$ (848,020)	$ 132,662	$ 14,739,949	$ 92,304	$ 14,116,895	$ 13,957,167

Homeless Solutions Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Summarized Comparative Totals for The Year Ended December 31, 2018)

	PROGRAM SERVICES				SUPPORTING SERVICES			
	EMERGENCY SHELTER & SERVICES	TRANSITIONAL HOUSING	HOUSING DEVELOPMENT	TOTAL	GENERAL & ADMINISTRATIVE	FUND DEVELOPMENT	2019	2018
Salaries	$ 978,645	$ 313,460	$ 266,985	$ 1,559,090	$ 306,852	$ 374,976	$ 2,240,918	$ 2,136,825
Payroll taxes	80,496	24,662	23,356	128,514	21,623	29,973	180,110	176,794
Health insurance	148,214	35,990	29,744	213,948	32,443	28,915	275,306	269,488
Workers compensation insurance	14,463	5,384	3,364	23,211	2,909	4,373	30,493	18,144
Pension plan	43,993	13,003	10,941	67,937	25,387	15,315	108,639	75,148
Total personnel services	1,265,811	392,499	334,390	1,992,700	389,214	453,552	2,835,466	2,676,399
Assistance to clients and supplies:								
Food	23,481			23,481			23,481	25,904
Guest supplies	61,047	8,864		69,911			69,911	44,756
Safe haven expenses	60,750			60,750			60,750	97,200
Child care subsidies	26,411	52,245		78,656			78,656	61,385
Rent subsidies	17,021			17,021			17,021	
Facility costs:								
Insurance	22,757	10,183	44,314	77,254	13,330	2,113	92,697	70,236
Rent expense	232,388	12,051	47,532	291,971	6,862	9,792	308,625	295,520
Utilities	128,958	24,113	84,223	237,294			237,294	229,196
Facility maintenance	28,151	12,079	61,199	101,429	981		102,410	134,156
Garbage removal	14,490		3,978	18,468			18,468	17,067
Snow removal	5,356	5,329	39,198	49,883			49,883	38,832
Exterminator	1,113		4,897	6,010			6,010	10,262
Lawn maintenance	3,584	6,602	28,852	39,038			39,038	39,524
Cleaning service	4,655	2,125	5,442	12,222			12,222	15,874
Real estate expenses		1,015	67,257	68,272			68,272	59,960
Consultants and professional fees:								
Data processing	5,476	2,041	1,051	8,568	957	1,366	10,891	11,332
Accounting	20,094	7,477	4,672	32,243	4,088	6,075	42,406	54,712
Other professional fees	51,948	22,280	17,086	91,314	29,688	25,807	146,809	123,332
Office expense	35,026	14,744	11,977	61,747	8,531	6,111	76,389	69,459
Transportation expense	20,271	10,539	14,152	44,962	2,167	802	47,931	54,411
Interest expense		4,273	90,002	94,275			94,275	94,152
Fundraising expense					7,349	138,252	145,601	144,184
Bad debt expense			9,746	9,746			9,746	
Total expenses before depreciation and amortization	2,028,788	588,459	869,968	3,487,215	463,167	643,870	4,594,252	4,367,853
Depreciation	84,058	76,591	244,659	405,308	5,573	7,244	418,125	369,036
Total expenses	$ 2,112,846	$ 665,050	$ 1,114,627	$ 3,892,523	$ 468,740	$ 651,114	$ 5,012,377	$ 4,736,889

See Notes to Consolidated Financial Statements

Homeless Solutions Inc. and Subsidiaries
Consolidated Statement of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 159,728	$ 100,326
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for uncollectible pledges	630	323
Depreciation	418,125	369,036
Amortization of loan costs	6,969	6,300
Unamortized mortgage discount	(55,165)	(55,638)
Forgiveness of debt	(31,640)	(505,652)
Bad debt expense	9,746	
Net realized and unrealized (gain) loss on investments	(368,177)	115,733
Dividends reinvested in marketable securities		(7,568)
Loss on investment in partnership	12	13
Gain on sale of fixed assets	(4,036)	(4,036)
Gain on sale of vehicle	(2,000)	
Loss on disposal of property	18,813	
Construction cost for future mortage proceeds	(627,406)	
Changes in operating assets and liabilities:		
Grants and fees receivable	(178,957)	(123,959)
Pledges receivable	30,268	15,471
Due from 38-42 Abbett Avenue, LP	(55,464)	(13,259)
Prepaid expenses and other assets	(6,217)	(46,685)
Security deposits	5,858	(14,387)
Accounts payable and accrued expenses	21,313	(3,436)
Accrued wages and vacation	(79,151)	17,594
Accrued pension contribution		(57,226)
Accrued interest expense	74,948	67,009
Deferred revenue	(5,650)	1,820
Tenant security deposits payable	5,587	15,151
Deferred rent		(4,478)
Net cash used in operating activities	(661,866)	(127,548)
Cash flows from investing activities:		
Purchases of property and equipment	(1,377,155)	(803,857)
Proceeds from disposal of vehicle	2,000	
Future reimbursement of purchases of assets restricted to investment in property	627,406	
Purchases of investments	(933,062)	(847,097)
Proceeds from sale of investments	1,232,586	682,572
Net cash used in investing activities	(448,225)	(968,382)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	125,737	
Principal repayment of long-term debt	(8,697)	(26,377)
Deferred loan costs acquisition	(18,350)	(26,075)
Net cash provided by (used in) financing activities	98,690	(52,452)
Net decrease in cash, cash equivalents, restricted cash and restricted deposits	(1,011,401)	(1,148,382)
Cash, cash equivalents, restricted cash and restricted deposits, beginning of year	2,247,111	3,395,493
Cash, cash equivalents, restricted cash and restricted deposits, end of year	$ 1,235,710	$ 2,247,111
Supplemental disclosures of noncash activity:		
Unrealized loss on investments	$ (112,804)	$ (191,473)
Forgiveness of debt	$ 31,640	$ 505,652
Proceeds from issuance of mortgages payable	$ 1,053,143	$ 227,875
Deferred support	$ 453,912	$ 391,821
Donated services and supplies	$ 359,224	$ 337,691

1. Nature of Operations

Homeless Solutions Inc. and Subsidiaries (the "Organization") provides emergency shelters for single men and women, families, and a Safe Haven Program for mentally ill persons in Morristown, New Jersey. These shelters offer meals, case management, life skills training, access to childcare, educational programs and job searches that lead to independent living. The Transitional Housing Program provides apartments with case management, life skills, and resident programs. The Housing Development Division of Homeless Solutions, Inc. develops and manages supportive housing for low-income families such as the 12 unit 38-42 Abbett Avenue project which was completed and occupied during 2008. Housing Development is committed to delivering the highest quality affordable rental housing through new construction, renovation, and adaptive re-use and mixed-use buildings. The Organization also operates the Mt. Kemble Home which provides 21 single-room occupancy accommodations to elderly women.

The Organization has fifteen additional wholly owned subsidiaries:

- 1 Jean Street Building Associates Urban Renewal, LLC
- 1 Jean Street Land Associates Urban Renewal, LLC
- 133 Landing Roxbury Twp., LLC
- 16 Morton Street, LLC
- 29 Abbett, LLC
- 34 Abbett, LLC
- 31 Drakestown Road, LLC
- 81 MLK, LLC
- 37 Harrison, LLC
- THP Urban Renewal, LLC
- 38-42 Abbett Avenue, LLC
- 23 Abbett Avenue, LLC
- 24 Walnut Street, LLC
- 88 MLK, LLC
- Housing Tree, LLC

The consolidated financial statements include the accounts of the parent Organization and its wholly owned subsidiaries, collectively referred to as Homeless Solutions Inc. and Subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed by the Organization in the preparation of the accompanying consolidated financial statements is set forth below:

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2016-14, dated August 2016, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* (FASB Update). In addition, the Organization uses the FASB's *Accounting for Contributions Received and Made*. The new standard now requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounting for Contributions Received and Made requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions include all funds not restricted by a donor or grantor and assets whose use is not restricted through contractual or regulatory control of a third-party payer or under debt agreements. These funds are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of the Organization, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees. The governing board has designated, from net assets without donor restrictions, net assets to support the reserves of the Organization's projects and to reflect the Organization's investment in capital project related activities.

Net Assets with Donor Restrictions

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance, Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606 with a date of the initial application of January 1, 2019 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization applied ASC 606 using the modified retrospective method, with no effect to net assets without donor restrictions or net assets with donor restrictions on January 1, 2019.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230*), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Organization has adopted these provisions in the accompanying financial statements.

Revenue and Support Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. There were no amounts received in advance at December 31, 2019 and 2018.

The Organization records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received when the event takes place. Affordable housing revenue is recorded by the Organization when services are rendered. There are no multi-year contracts and performance obligations are typically satisfied within one year or less.

Contributions of services and facilities are recorded at their estimated fair values on the date of contribution.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2019 and 2018:

	2019	2018
Performance obligations satisfied at a point in time	$ 630,430	$ 618,161

Revenue from performance obligations satisfied at a point in time consists of program income and special events.

Deferred Revenue and Deferred Gain on Sale

Deferred revenue and deferred gain on sale result from the receipt of funds prior to those amounts being earned.

Land, Building, Furniture and Fixtures and Equipment

Land, building, furniture and fixtures, and equipment are recorded at cost when purchased, or at fair value at date of gift, when donated. 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. Proceeds from the sale of fixed assets, if without restrictions, are transferred to the net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions.

Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used.

The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets.* There were no impairment charges recorded for the years ended December 31, 2019 and 2018.

Grants, Fees, and Pledges Receivable and Allowance for Uncollectible Pledges

Grants, fees, and pledges receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance for uncollectible pledges of $1,891 and $2,521 has been established for the years ended December 31, 2019 and 2018, respectively. There are no nonaccrual receivables in excess of 90 days and no interest accrual on any receivables as of December 31, 2019 and 2018.

Cash, Cash Equivalents, Restricted Cash and Restricted Deposits

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for, nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to the reserves for other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, restricted cash and restricted deposits reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows for the years ended December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 232,406	$ 1,267,621
Restricted cash for reserves	932,743	914,520
Tenant security deposits	70,561	64,970
Total	$ 1,235,710	$ 2,247,111

Restricted Cash

Restricted cash as of December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Repair and replacement reserve - 1 Jean Street Building Associates Urban Renewal, LLC	400,000	400,000
Reserves for 133 Landing Roxbury Twp., LLC	165,614	162,122
Reserves for 34 Abbett Avenue, LLC	59,837	58,444
Reserves for 37 Harrison, LLC	64,308	61,629
Reserves for 31 Drakestown Road, LLC	21,772	17,500
Reserves for 81 MLK, LLC	210,816	205,464
Reserves for 24 Walnut Street, LLC	10,396	9,361
	$ 932,743	$ 914,520

Income Taxes

The Organization is a not-for-profit association as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt under Title 15 of the State of New Jersey, *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

As required by law, the Organization files informational returns with both the Federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State of New Jersey. These returns are subject to examination by these authorities within certain statutorily defined periods for both Federal and the State of New Jersey.

Functional Expense Allocation

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on the level of activity. Support costs are allocated to a program based on total program costs. Program expenses are those related to emergency shelter, transitional housing, and the development and management of low-income family and supported housing apartments. Supporting services relate to finance, administrative and development expenses related to those programs. Development includes the direct costs of special events and the allocation of employees' salaries and other costs involved in fund-raising and special events based on methods considered by management to be reasonable.

The expenses that are allocated include professional fees, accounting fees, data processing fees, office expenses, insurance, and rent expense which are allocated by headcount, as well as salaries and wages, employee benefits, payroll taxes which are allocated on the basis of estimates of time and effort. Direct assistance, facility costs, and fundraising expenses are allocated on a project basis and related to specific programs or fundraising events. Emergency Shelter and Administrative Office depreciation is allocated by headcount. Depreciation for Housing Development and THP is allocated to each property.

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements may report certain categories of expense that one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Investments

The Organization follows FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with this accounting standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest and dividends and realized gains and losses on sale of investments) are included in the statement of activities unless the income or loss is restricted by the donor or law. A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended December 31, 2019 and 2018, the Organization did not record any impairment charge in the consolidated statement of activities related to investments.

Beneficial Interest in Assets Held by the Community Foundation of New Jersey

The Organization follows FASB ASC, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This standard provides guidance for accounting in the case where a “resource provider” (nonprofit entity) transfers assets to a community foundation but specifies itself or its affiliate as the beneficiary of the assets. The transaction is deemed to be reciprocal because at the time of the transfer, the nonprofit entity expects to receive future distributions because it specifies itself as a beneficiary, and by acceptance of the transfer, the community foundation agrees to make distributions to the nonprofit entity. Because the transaction is deemed to be reciprocal, the nonprofit entity should recognize an asset and the community foundation should recognize a liability. During 2019, the Organization liquidated its beneficial interest in assets held by the Community Foundation of New Jersey.

Amounts reported in the statement of financial position represent the net cumulative transfers by the Organization to the Community Foundation of New Jersey (the “Foundation”), as well as net investment earnings thereon. The fair value of these investments totaled $0 and $114,144 at December 31, 2019 and 2018, respectively. As of December 31, 2019, the Foundation no longer holds the funds on behalf of the Organization. The Foundation had no variance power over the funds. Instead, the funds were distributed to the Organization upon request to the Foundation. During 2019, the Organization requested all the funds held by the Foundation to be liquidated and distributed.

The Foundation had deposited an additional matching contribution of $5,000 to the endowment fund, restricted in perpetuity and due back to the Foundation upon dissolution of the endowment fund. The matching contribution has not been returned to the Foundation upon liquidation of its investments.

Deferred Loan Costs

Costs incurred in connection with obtaining financing, such as origination fees, commitment fees, legal, and other third-party costs, are capitalized and amortized over the life of the related debt using a method that approximated the effective interest method.

The Organization follows the provisions of FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the presentation of Debt Issue Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Amortization of these costs have been reported as interest expense in the consolidated statement of functional expenses.

Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The measurement of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The fair value measurement level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available.

For other assets and liabilities, observable market transactions and market information might not be available. When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Cash and cash equivalents, restricted cash for reserves, grants and fees receivable, and other current assets, accounts payable and accrued expenses and other current liabilities: the carrying amounts approximate fair value because of the short-term maturity of these instruments.

Certificates of deposit: The carrying amounts are carried at original cost-plus accrued interest, which approximates fair value.

Common stocks: The carrying amounts are stated at the closing price value reported in the active market in which the individual securities are traded.

Mutual funds: The carrying amounts are valued at the net asset value (NAV) of shares held by the Organization at year end.

Mortgages: Long-term debt is carried at cost since management believes the Organization can obtain similar loans at similar terms. Accordingly, management of the Organization has determined that cost approximates fair value.

Investment in partnership: The Organization’s equity investment in partnership is accounted for under the equity method. Accordingly, the investment in partnership is carried at cost, and adjusted for the Organization’s proportionate share of income or losses and changes in ownership.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risk.

Beneficial Interest in Assets Held by the Community Foundation of New Jersey: The carrying amount of these investments is stated at the fair value of the Organization’s share of the Foundation’s investment pool as of the measurement date, utilizing valuations provided by the investment funds.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, 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 fair value measurement at the reporting date.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the consolidated statement of financial position.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenue and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization’s estimates may change in the near term.

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance.

ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's consolidated financial statements.

Reclassification

Certain prior year amounts have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

3. Liquidity and Availability

Homeless Solutions Inc. and Subsidiaries strives to maintain liquid financial assets sufficient to meet six months of normal operating expenses. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for actual expenditures, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial Assets:	2019	2018
Cash and cash equivalents	$ 232,406	$ 1,267,621
Restricted cash for reserves	932,743	914,520
Investments, at fair value	2,588,954	2,520,298
Grants and fees receivable	487,211	318,000
Pledges receivable	92,640	123,538
Total	4,333,954	5,143,977
Less those unavailable for general expenditures:		
Cash restricted for reserves	(932,743)	(914,520)
Investments with liquidity greater than one year	(293,626)	(669,608)
Donor-imposed restrictions:		
Restricted by donors for future programs	(92,304)	(163,058)
Board designated reserve funds	(132,662)	(132,662)
Total	(1,451,335)	(1,879,848)
Financial assets available to meet general expenditures within one year	$ 2,882,619	$ 3,264,129

In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including donations, grant income, program services and special events revenue.

4. Land, Building, Furniture and Fixtures and Equipment

Land, building, furniture and fixtures and equipment and their related estimated useful lives at December 31, 2019 and 2018 are as follows:

	Estimated Useful Life (Years)	December 31, 2019	December 31, 2018
Land		$ 3,485,910	$ 3,151,298
Buildings and improvements	39	14,035,353	11,883,910
Leasehold improvements	20	1,455,358	1,400,549
Vehicles	5	207,924	148,350
Furniture and fixtures	5	930,473	845,529
Construction in progress		11,096	1,072,314
		20,126,114	18,501,950
Less: accumulated depreciation		(5,386,165)	(5,002,218)
		$ 14,739,949	$ 13,499,732

Depreciation expense for the years ended December 31, 2019 and 2018 totaled $418,125 and $369,036, respectively.

5. Office Lease

On April 25, 2012, the Organization renewed its lease agreement for office space for 63 months commencing in August 2012. The lease payments start at an annual rate of $70,300 for the first two years, $72,200 for the third and fourth years, and $74,100 annually for the last fifteen months, expiring October 31, 2017. The lease concedes basic rent in the first, second and thirty-seventh months. The lease also requires the Organization to pay $5,700 per year for electric within their premises, and a proportionate share (25%) of property taxes in excess of $49,019 and common area expenses in excess of $150,000 which are incurred by the landlord in any given year.

During 2017, the Organization amended its lease agreement to extend the term of the lease for 3 months commencing on November 1, 2017. The extension term shall renew automatically for additional 3-month terms through October 31, 2018 and requires lease payments at an annual rate of $55,000. The extension term also requires the Organization to pay $550 per month for electricity within their premises, and a proportionate share (25%) of property taxes in excess of $49,019 which are incurred by the landlord during the extension term. The office lease was terminated on October 31, 2018.

During August 2018, the Organization entered into a lease agreement, which started November 1, 2018 and expires in October 2023, for office space. The lease requires an annual lease payment of $61,666 in year one, $62,650 in year two, $63,674 in year three, $64,698 in year four, and $54,579 in the final year. The lease also requires the Organization to pay $7,170 per year for electric within their premises, and a proportionate share (6.26%) of property taxes based upon the most current bill for taxes then available.

Future minimum annual rental commitments under such operating leases subsequent to December 31, 2019 are as follows:

Years Ending		
2020	$	69,820
2021		70,844
2022		71,868
2023		61,749
Total	$	274,281

Total rent expense charged to operations for office space amounted to $108,625 and $95,520 for the years ended December 31, 2019 and 2018, respectively.

6. Deferred Gain

During 2007, the Organization entered into an agreement to sell its Jean Street apartment buildings in exchange for two million dollars. The Organization retained ownership of the land and continues to manage the property for its original purpose. The sale agreement requires the Organization to pay $40,000 rent annually and to maintain a reserve account in order to keep the buildings in good condition. The building owner rents the land from the Organization under a lease agreement. A promissory note in the amount of $199,589 from the Federal Home Loan Bank of New York– Affordable Housing Program was repaid from the sale proceeds. This transaction qualified as a sale–leaseback transaction and the Organization deferred the gain on this sale and amortizes it over the related lease term.

FASB ASC, *Leases* defines sale–leaseback accounting as a method of accounting for a sale-leaseback transaction in which the seller-lessee records the sale, removes all property and related liabilities from its balance sheet, and recognizes gain or loss from the sale in accordance with generally accepted accounting principles. As a result of the exchange, there was a total gain of $121,084.

The gain will be amortized over the life of the new lease agreement at the rate of $4,036 per year for 30 years. The gain recognized during 2019 and 2018 was $4,036.

Future minimum rents to be paid relating to the operating leases as of December 31, 2019 are as follows:

Years Ending		
2020	$	40,000
2021		40,000
2022		40,000
2023		40,000
2024		40,000
Thereafter		500,000
Total	$	700,000

7. Deferred Retirement Savings Plan and Pension Plan

The Organization had a tax deferred retirement savings plan qualified under section 403(b) of the Internal Revenue Code. The plan covered full-time employees and allowed employees to contribute a percentage of their gross salaries up to the maximum amount allowed by the Internal Revenue Code.

Effective January 1, 2004, the Organization adopted a defined contribution pension plan to allow for employer contributions. Employees that meet certain age and service requirements are eligible to receive contributions determined annually by the Organization. Effective January 1, 2017, the pension plan was amended, restated, and retitled Homeless Solutions Inc. 401(k) Profit Sharing Plan to allow for employee contributions and employer matching contributions. Pension expense charged to operations was $108,639 and $75,148 for eligible employees in 2019 and 2018, respectively.

8. Investments

The value initially recognized for investments purchased is cost. The value initially assigned to investments received by gift is the market value on the date of donation. Thereafter, investments are carried at market value. Investments at December 31, 2019 and 2018 are comprised of the following:

	December 31, 2019			
	Cost	Market Value (Level 1)	Market Value (Level 3)	Unrealized Gain (Loss)
Equities				
Technology	$ 16,033	$ 122,191		$ 106,158
Communication services	14,376	53,576		39,200
Financial services	612,697	715,118		102,421
Total equities	643,106	890,885		247,779
Fixed income securities				
U.S Treausury securities	703,969	704,498		529
Corporate bonds	382,352	388,467		6,115
Total fixed income securities	1,086,321	1,092,965		6,644
Other Investments				
Exchange traded funds	492,699	514,976		22,277
Other assets	89,717	90,128		411
Investment in partnership	26,641		$ 26,616	(25)
Total other investments	609,057	605,104	26,616	22,663
	$ 2,338,484	$ 2,588,954	$ 26,616	$ 277,086

	December 31, 2018				
	Cost	Market Value (Level 1)	Market Value (Level 2)	Market Value (Level 3)	Unrealized Gain (Loss)
Equities					
Technology	$ 78,748	$ 176,988			$ 98,240
Consumer goods	108,270	183,271			75,001
Financial services	106,230	182,975			76,745
Industrial goods	125,011	152,320			27,309
Basic materials	77,926	87,418			9,492
Healthcare	102,955	200,399			97,444
Energy	70,900	67,824			(3,076)
Total equities	670,040	1,051,195			381,155
Fixed income securities					
U.S. Treasury securities	100,000	98,699			(1,301)
Corporate bonds	951,000	949,574			(1,426)
Total fixed income securities	1,051,000	1,048,273			(2,727)
Other Investments					
Exchange traded funds	79,752	81,951			2,199
Beneficial interest in assets held by the Community Foundation of New Jersey	89,102			$ 114,144	25,042
Investment in partnership	26,641			26,628	(13)
Total other investments	195,495	81,951		140,772	27,228
Certificates of deposit	210,000		$ 224,735		14,735
	$ 2,126,535	$ 2,181,419	$ 224,735	$ 140,772	$ 420,391

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets and liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on estimates using present value or other valuation techniques where quoted market prices are not available. Financial assets of the Organization have been valued using levels 1, 2 and 3 inputs for the years ended December 31, 2019 and 2018.

The beneficial interest in assets held at the Community Foundation of New Jersey (the "Foundation") has been valued, as a practical expedient, at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date, utilizing valuations provided by the investment funds. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Foundation is fully redeemable by the Organization as described in Note 2.

The Organization's investment in partnership is accounted for under the equity method. Accordingly, the balance of $26,616 and $26,628 as of December 31, 2019 and 2018, respectively, represents the value of the partnership interest, adjusted for the Organization's proportionate share of income or losses and changes in ownership. See additional disclosure for the related entity in Note 10.

Return on investments is comprised of the following for 2019 and 2018:

	December 31, 2019	December 31, 2018
Realized gains	$ 480,981	$ 77,047
Unrealized losses	(112,804)	(191,473)
Interest and dividend income	138,947	127,731
Interest and dividend income reinvested		7,568
Advisory fees	(17,435)	(16,474)
Total	$ 489,689	$ 4,399

The following tables provide further details of Level 3 fair value measurements for 2019 and 2018, respectively.

	Beneficial Interest in Assets Held at the Community Foundation of New Jersey Level 3	Investment in Partnership Level 3
Balance as of December 31, 2018	$ 114,144	$ 26,628
Realized/Unrealized gains (losses) included in changes in net assets	13,244	(12)
Interest and dividends	1,629	
Advisory fees	(1,008)	
Sales	(128,009)	
Balance as of December 31, 2019	$ -	$ 26,616

	Beneficial Interest in Assets Held at the Community Foundation of New Jersey Level 3	Investment in Partnership Level 3
Balance as of December 31, 2017	$ 119,883	$ 26,641
Realized/Unrealized losses included in changes in net assets	(8,228)	(13)
Interest and dividends	3,787	
Advisory fees	(1,298)	
Balance as of December 31, 2018	$ 114,144	$ 26,628

There were no transfers of Level 3 assets into or out of Level 1 or 2 for the years ended December 31, 2019 and 2018.

9. Pledges Receivable

The Organization has pledges receivable, which are considered level 3 assets in accordance with generally accepted accounting principles, at December 31, 2019 and 2018 as follows:

	2019	2018
Pledges expected to be collected in:		
Less than one year	$ 94,531	$ 126,059
	94,531	126,059
Less: Allowance for uncollectible pledges	(1,891)	(2,521)
Net pledges receivable	$ 92,640	$ 123,538

The following table provides the activity during 2019 and 2018 of pledges receivable:

	2019	2018
Pledges receivable, beginning of year	$ 123,538	$ 139,332
Pledges made during the year, net of allowance for uncollectible amounts	95,161	126,382
Less: receipts received during the year	(126,059)	(142,176)
Pledges receivable, end of year	$ 92,640	$ 123,538

Pledges receivable are presented in the financial statements by restriction as follows:

	2019	2018
Annual fund pledges	$ 81,031	$ 110,059
Campaign for the Future	13,500	16,000
Less: Allowance for uncollectible pledges	(1,891)	(2,521)
	$ 92,640	$ 123,538

10. Related Entity

The Organization is a less-than-one-percent general partner in 38-42 Abbett Avenue, LP. As of December 31, 2019 and 2018 the Organization had invested $26,616 and $26,628, respectively, in 38-42 Abbett Avenue, LP. This investment is being accounted for under the equity method of accounting. During 2008, the Organization transferred title in the underlying low-income housing project to the 38-42 Abbett Avenue, LP along with all related expenses associated with this entity.

The investment in 38-42 Abbett Avenue, LP reflected in these consolidated financial statements approximates the Organization's capital in the partnership. 38-42 Abbett Avenue, LP is indebted to the Organization in the amount of $1,907,148 and $1,851,684 payable under various terms of the partnership for mortgages, developer fee, accrued interest and miscellaneous expenses as of December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018 the limited partnership repaid $5,867 and $8,287, respectively, to the Organization.

Investment in partnership measured at fair value on a nonrecurring basis at December 31, 2019:

Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment in partnership	$ 26,616	$ -	$ -	$ 26,616

Investment in partnership measured at fair value on a nonrecurring basis at December 31, 2018:

Description	Total	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment in partnership	$ 26,628	$ -	$ -	$ 26,628

The Organization's investment in partnership details are as follows:

	2019	2018
Beginning balance	$ 26,628	$ 26,641
Net loss	(12)	(13)
Ending balance	$ 26,616	$ 26,628

The financial statements of the Partnership are prepared utilizing accounting principles generally accepted in the United States of America. A summary of certain financial information of the Partnership are summarized below for the years ended December 31, 2019 and 2018.

	2019			
Investment Equity	Total Assets	Total Liabilities	Total Equity	Net Loss
38-42 Abbett, L.P.	$ 2,326,819	$ 1,936,506	$ 390,113	$ (118,437)

	2018			
Investment Equity	Total Assets	Total Liabilities	Total Equity	Net Loss
38-42 Abbett, L.P.	$ 2,388,809	$ 1,880,059	$ 508,750	$ (127,987)

11. Mortgages Payable

Mortgages payable at December 31, 2019 and 2018 are comprised of the following:

	December 31, 2019	December 31, 2018
Property located at 133 Landing Road, Roxbury Township, New Jersey, subject to a $663,538 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due June 1, 2024. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. A cash flow payment of $0 and $4,711 was made during the years ended December 31, 2019 and 2018, respectively.	$ 646,362	$ 645,014
Property located at 34 Abbett Avenue, Morristown, New Jersey, subject to a $511,640 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due July 13, 2024. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. A cash flow payment of $0 and $3,609 was made during the years ended December 31, 2019 and 2018, respectively.	492,826	491,766
Property located at 31 Drakestown Road, Washington Township, New Jersey, subject to a $1,860,841 mortgage which accrues interest at a rate of 1%. The New Jersey Department of Community Affairs Balanced Housing Program provided the Organization with a permanent loan which becomes due on November 1, 2041. The mortgage requires payments equal to 50% of any positive cash flow as defined by the mortgage agreement which is secured by the property. No cash flow payment was made during the years ended December 31, 2019 and 2018.	1,860,841	1,860,841
Property located at 37 Harrison Street, Morristown, New Jersey, subject to a $596,496 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due November 14, 2040. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. A cash flow payment of $0 and $6,375 was made during the years ended December 31, 2019 and 2018, respectively.	550,222	549,508

	December 31,	
	2019	2018
Property located at 81 Martin Luther King Boulevard, Morristown, New Jersey, subject to a $1,085,150 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due October 17, 2026. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. A cash flow payment of $0 and $3,427 was made during the year ended December 31, 2019 and 2018, respectively.	1,053,769	1,051,093
During 2010, the Organization was subject to a conditional mortgage with the New Jersey Department of Community Affairs Division of Housing Program in the amount of $19,388. The conditional mortgage will be forgiven at a rate of ten percent per year over a period of ten years for maintaining the Organization's emergency shelter located at 540 West Hanover Avenue, Morris Township, New Jersey. Debt forgiveness for the years ended December 31, 2019 and 2018 amounted to $1,939.	1,939	3,876
During 2010, the Organization was subject to a conditional mortgage with the New Jersey Department of Community Affairs Division of Housing Program in the amount of $297,012. The conditional mortgage will be forgiven at a rate of ten percent per year over a period of ten years for the rehabilitation of transitional housing units located at 3 Jean Street, Morris Township, New Jersey. Debt forgiveness for the years ended December 31, 2019 and 2018 amounted to $29,701.	29,701	59,404
In 2012 NJHMFA modified a mortgage agreement originally entered into with Morris Shelter Urban Renewal, L.P. such that THP Urban Renewal LLC, the successor to Morris Shelter Urban Renewal L.P., became the mortgagee under an interest free loan of $225,524 on property located at 3 Jean Street, Morris Township. Principal on the loan is due in full at maturity on October 1, 2027.	225,524	225,524
During 2011, the Organization was subject to a conditional mortgage with Federal Home Loan Bank of New York in the amount of $200,000. The conditional mortgage will be forgiven once all conditions are satisfied over a period of ten years for the property located at 31 Drakestown Road, Washington Township, New Jersey.	200,000	200,000

	December 31,	
	2019	2018
During 2011, the Organization was subject to a conditional mortgage with Federal Home Loan Bank of New York in the amount of $40,000. The conditional mortgage will be forgiven once all conditions are satisfied over a period of ten years for property located at 34 Abbett Avenue, Morristown, New Jersey.	40,000	40,000
During 2013, the Organization was subject to a conditional mortgage with Federal Home Loan Bank of New York in the amount of $80,000. The conditional mortgage will be forgiven once all conditions are satisfied over a period of ten years for property located at 37 Harrison Street, Morristown, New Jersey.	80,000	80,000
During 2015, the Organization was subject to a conditional mortgage with Federal Home Loan Bank of New York in the amount of $120,000. The conditional mortgage will be forgiven once all conditions are satisfied over a period of ten years for the property located at 81 Martin Luther King Boulevard, Morristown, New Jersey.	120,000	120,000
During 2017, the Organization was subject to a conditional mortgage with Federal Home Loan Bank of New York in the amount of $420,000. The conditional mortgage will be forgiven once all conditions are satisfied over a period of ten years for the property located at One Mount Kemble Avenue, Morristown, New Jersey.	420,000	420,000
During 2017, the Organization acquired property located at 11 Oak Street, Rockaway, New Jersey, subject to a $50,400 mortgage which has an interest rate of 3.75%. The mortgage requires monthly installment payments of $260.51 and becomes due on September 29, 2027, as defined by the mortgage agreement which is secured by the property. Principal payments amounted to $1,292 and $1,244 during the years ended December 31, 2019 and 2018, respectively.	47,559	48,851
During 2017, the Organization acquired property located at 15 Oak Street, Rockaway, New Jersey, subject to a $62,500 mortgage which has an interest rate of 3.75%. The mortgage requires monthly installment payments of $323.18 and becomes due on September 29, 2027, as defined by the mortgage agreement which is secured by the property. Principal payments amounted to $1,603 and $1,543 during the years ended December 31, 2019 and 2018, respectively.	58,976	60,579

	December 31,	
	2019	2018
During 2017, the Organization acquired property located at 24 Oak Street, Rockaway, New Jersey, subject to a $60,000 mortgage which has an interest rate of 3.75%. The mortgage requires monthly installment payments of $310.26 and becomes due on October 6, 2027, as defined by the mortgage agreement which is secured by the property. Principal payments amounted to $1,535 and $1,359 during the years ended December 31, 2019 and 2018, respectively.	56,749	58,284
During 2017, the Organization acquired property located at 47 Wall Street, Rockaway, New Jersey, subject to a $166,425 mortgage which has an interest rate of 3.75%. The mortgage requires monthly installment payments of $860.55 and becomes due on September 29, 2027, as defined by the mortgage agreement which is secured by the property. Principal payments amounted to $4,627 and $4,109 during the years ended December 31, 2019 and 2018, respectively.	157,042	161,309
Property located at 24 Walnut Street, Morristown, New Jersey, subject to a $227,875 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due July 1, 2048. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. No cash flow payment was made during the years ended December 31, 2019 and 2018.	203,178	202,308
During 2019, the Organization was subject to a $627,406 interest free mortgage for property located at 88 Martin Luther King Avenue, Morristown, New Jersey. New Jersey Department of Community Affairs Division of Housing Program provided the Organization with the permanent loan which becomes due thirty one years from the month following the issuance of a final Certificate of Occupancy. The mortgage is secured by the property. Principal on the loan is due in full at maturity on January 1, 2051.	627,406	
During 2019, the Organization acquired property located at 23 Abbett Avenue, Morristown, New Jersey, subject to a $300,000 interest free mortgage. NJHMFA Special Needs Housing Trust Fund provided the Organization with the permanent loan which becomes due July 1, 2049. The mortgage requires payments equal to 25% of any positive cash flow as defined by the mortgage agreement which is secured by the property. No cash flow payment was made during the year ended December 31, 2019.	281,954	

	December 31, 2019	December 31, 2018
During 2019, the Organization was subject to a conditional mortgage with the New Jersey Department of Community Affairs Division of Housing Program in the amount of $125,737. The conditional mortgage will be forgiven at a rate of thirty three percent per year over a period of three years for the rehabilitation of the Shelter, and twenty five percent per year over a period of four years for the Shelter's van. Debt forgiveness will commence after the anniversary date of receipt of certificate of occupancy and purchase of van. Debt forgiveness for the year ended December 31, 2019 amounted to $0.	125,737	
	$ 7,279,785	$ 6,278,357

Mortgages from NJHMFA are reported in the consolidated statement of financial position net of unamortized deferred support in the amount of $453,912 and $391,821 at December 31, 2019 and 2018, respectively. The discount on the loans is being amortized to interest expense over the lives of the loans. In addition, mortgages payable above includes imputed interest to be forgiven at loan maturity in the amounts of $518,095 and $460,127, which is included in accrued interest in the consolidated statement of financial position for the years ended December 31, 2019 and 2018, respectively.

Deferred loan costs incurred in connection with the related debt liability are being amortized using the effective interest method over the life of the loans. Deferred loan costs are presented net of accumulated amortization of $86,644 and $75,262 as of December 31, 2019 and 2018, respectively, and are reported in the consolidated statement of financial position as a direct deduction from the carrying amount of the related debt liability. Amortization of these costs amounted to $6,969 and $6,300 for the years ended December 31, 2019 and 2018, respectively, and is reported as interest expense in the consolidated statement of functional expenses.

The following is a schedule of the Organization’s legal obligations, by years, of future minimum payments under the mortgage payable agreement, net of deferred loan costs:

Year ending December 31,	Future Minimum Payments	Deferred Loan Costs	Total
2020	$ 1,848,126	$ (7,274)	$ 1,840,852
2021	218,198	(7,274)	210,924
2022	218,564	(7,274)	211,290
2023	218,942	(7,274)	211,668
2024	185,978	(5,773)	180,205
Thereafter	4,676,621	(51,775)	4,624,846
Total	$ 7,366,429	$ (86,644)	$ 7,279,785

Interest expense of $94,275 and $94,152 was reported in the accompanying consolidated statement of functional expenses, including amortization expense of $6,969 and $6,300 for deferred loan costs for the years ended December 31, 2019 and 2018, respectively.

12. Rental Income

The Organization leases four apartments at the 133 Landing Road location, three of the four apartments have annual leases and one of the apartments is leased on a month-to-month basis. All four leases totaled approximately $4,780 per month in 2019. This amount is augmented by $1,618 per month from the State of New Jersey's Rental Assistance Program and $1,192 per month from Family Promise for a monthly total of $2,810 in 2019. All units were occupied at December 31, 2019.

The Organization purchased 16 Morton Street, Morristown, NJ during 2007 for the purpose of relocating the tenants in 38-42 Abbett Avenue. Rental income from this property is approximately $2,394 per month in 2019. All units were occupied at December 31, 2019.

Tenants at the Jean Street apartment project are charged rent based upon income as certified by management. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 15 apartments at our Jean Street project was expected to be $14,454 per month in 2019. This amount is augmented by $2,238 per month, from the Morris County Housing Authority and $916 per month in 2019 from the State of New Jersey's Rental Assistance Program for a monthly total of $3,154 in 2019. All units were occupied at December 31, 2019.

In 2008, the Organization closed on the purchase of property at 34 Abbett Avenue, Morristown, NJ. The Organization began accepting tenants for the project's two units in December 2008. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 2 apartments at 34 Abbett Avenue project was expected to be $2,508 per month in 2019. This amount is augmented by $634 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

During 2011, construction of property at 31 Drakestown Road, Hackettstown, NJ was completed. The Organization began accepting tenants for the project's ten units in September 2011. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 10 apartments at the 31 Drakestown project was expected to be $6,885 per month in 2019. This amount is augmented by $368 per month in 2019 from the State of New Jersey's Rental Assistance Program and $620 per month from the Morris County Housing Authority. All units were occupied at December 31, 2019.

During 2011, construction of property at 37 Harrison Street, Morristown, NJ was completed. The Organization began accepting tenants for the project's four units in February 2011. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 4 apartments at the 37 Harrison project was expected to be $4,662 per month in 2019. This amount is augmented by $3,667 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

During 2012, construction of property at 29 Abbett Avenue, Morristown, NJ was completed. The Organization accepted tenants for the project's two units in August 2012. Under current leases, tenant rental income from the 2 apartments at 29 Abbett Avenue project was expected to be $2,192 per month in 2019. This amount is augmented by $523 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

Since 1997, the Organization has operated the Transitional Housing Program (THP) in an apartment complex on Jean Street. From 1997 until 2011, the Organization operated THP as the general partner in a limited partnership called Morris Shelter Urban Renewal Associates L.P. In January 2012, the assets of the partnership were transferred into THP Urban Renewal LLC, which is wholly owned by the Organization. THP consists of ten units of supportive housing for families. The families pay rent subject to certain income limits. At December 31, 2019, monthly rental income was $4,941. All units were occupied at December 31, 2019.

During 2013, construction of property at 81 Martin Luther King Avenue, Morristown, NJ was completed. The Organization accepted tenants for the project's six units in May 2013. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the six apartments at the 81 Martin Luther King Avenue project was expected to be $5,493 per month in 2019. This amount is augmented by $2,550 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

During 2013, Mt. Kemble Home was acquired. Mt. Kemble Home provides 21 single-room occupancy accommodations to elderly women. Under current leases, tenant rental income at 1 Mt. Kemble Home was expected to be $11,809 per month in 2019. This amount includes $2,749 per month from the State. All units were occupied at December 31, 2019.

During 2017, the Organization purchased property at 11 Oak Street, Rockaway, NJ. The Organization began accepting tenants for the project's one-unit condominium in November 2017. Basic rent is set each year at levels appropriate to the unit. Under the current lease, tenant rental income from the condominium project was expected to be $1,099 per month in 2019. This amount is augmented by $801 per month in 2019 from the State of New Jersey's Rental Assistance Program.

During 2017, the Organization purchased property at 15 Oak Street, Rockaway, NJ. The Organization began accepting tenants for the project's one unit condominium in November 2017. Basic rent is set each year at levels appropriate to the unit. Under the current lease, tenant rental income from the condominium project was expected to be $1,099 per month in 2019. This amount is augmented by $907 per month in 2019 from the State of New Jersey's Rental Assistance Program.

During 2017, the Organization purchased property at 24 Oak Street, Rockaway, NJ. The Organization began accepting tenants for the project's one unit condominium in November 2017. Basic rent is set each year at levels appropriate to the unit. Under the current lease, tenant rental income from the condominium project was expected to be $1,099 per month in 2019. This amount is augmented by $950 per month in 2019 from the State of New Jersey's Rental Assistance Program.

During 2018, construction of property at 47 Wall Street, Rockaway, NJ, was completed. The Organization began accepting tenants for the project's two units in January 2018. Basic rent is set each year at levels appropriate to the unit. Under the current lease, tenant rental income from the 2 apartments at the 47 Wall project was expected to be $2,188 per month in 2019. This amount is augmented by $1,231 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

During 2018, construction of property at 24 Walnut Street, Morristown, NJ, was completed. The Organization began accepting tenants for the project's two units in February 2018. Basic rent is set each year at levels appropriate to each unit. Under the current leases, tenant rental income from the 2 apartments at the 24 Walnut project was expected to be $2,724 per month in 2019. This amount is augmented by $2,030 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

During 2018, construction of property at 23 Abbett Avenue, Morristown, NJ, was completed. The Organization began accepting tenants for the project's two units in October 2018. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 2 apartments at the 23 Abbett project was expected to be $2,648 per month in 2019. This amount is augmented by $1,802 per month in 2019 from the State of New Jersey's Rental Assistance Program. All units were occupied at December 31, 2019.

In December 2019, construction of property at 88 Martin Luther King Avenue, Morristown, NJ, was completed. The Organization began accepting tenants for the project's eight units in December 2019. Basic rent is set each year at levels appropriate to each unit. Under current leases, tenant rental income from the 8 apartments at the 88 Martin Luther King project was expected to be $12,794 per month in 2019. This amount is augmented by $6,721 per month in 2019 from the State of New Jersey's Rental Assistance Program and $677 per month from the Morris County Housing Authority. Two of the eight units were occupied at December 31, 2019.

13. Net Assets Without Donor Restrictions – Board Designated

As of December 31, 2019 and 2018, the Board of Trustees had designated $132,662 of net assets without donor restrictions as a general fund to support the reserves of the Organization's projects. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Board designated net assets included in without donor restrictions net assets is comprised of the following as of December 31, 2019 and 2018:

	2019	2018
16 Morton Street, LLC reserve	$ 132,662	$ 132,662

There were no transfers to/from without donor restrictions board-designated net assets during the years ended December 31, 2019 and 2018.

There were no amounts released from the reserves for the years ended December 31, 2019 and 2018.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes.

	2019	2018
Subject to expenditure for specified purpose:		
Summer camps and childcare	$ 2,432	$ 5,521
Programs	89,872	144,537
Accounting software		13,000
	$ 92,304	$ 163,058

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions:		
Summer camps and childcare	$ 5,589	$ 12,514
Program expenses	447,113	199,460
	$ 452,702	$ 211,974

15. Transfer of Net Investment in Capital Assets Without Donor Restrictions

During 2019 it was determined by the Board of Trustees that a transfer was required in the amount of $1,658,342 from the undesignated operating to the undesignated capital fund to reflect the Organization's investment in capital project related activities as of December 31, 2019.

16. Cash, Credit and Funding Risks

The Organization deposits its cash in accounts with major banking institutions. At times, such amounts may be in excess of FDIC insurance limits. Management believes that the Organization has no significant risk of loss on these accounts due to the failure of the institutions. Concentration of credit risk associated with investments is considered low due to the credit quality of the financial institutions holding these investments.

As reflected in the consolidated statement of activities, the Organization has several funding sources including government grants, individual foundations, and the United Way. Although no funding source is guaranteed, the Organization believes that based upon past history and the continued monitoring of the diverse funding sources by management there is not a significant risk to the Organization's funding streams in total.

The Organization received a substantial amount of its revenue and support from government contracts and grants (21% and 33% in 2019 and 2018, respectively). A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and activities.

17. Contingencies

During 2017, the Organization received HOME Investment Partnership Program funds passed through from the U.S. Department of Housing and Urban Development to construct units, located at 24 Walnut Street and 23 Abbett Avenue in Morristown, NJ, that will be rented to very low and/or low-income individuals and families. A deed restriction was placed on the properties providing that the housing be affordable for a period of not less than 20 years from the date that the certificate of occupancy is secured. The entire principal amount of the HOME funds will become due and payable to the County of Morris if the Organization is determined to be out of compliance with any of the terms and conditions of the grant agreement and does not correct defects within a certain timeframe as set forth by the county. During 2018, the Organization received a contribution in the amount of $100,000 from the Town of Morristown with the condition of placing a deed restriction on the Mt. Kemble Home, located at 1 Mt. Kemble Avenue in Morristown, NJ. A deed restriction was placed on the property providing that the housing be affordable for a period of not less than 20 years from August 13, 2018.

During 2018, a former shelter guest filed a police report alleging criminal misconduct by an employee of Homeless Solutions Inc. and Subsidiaries. Management believes this case is without merit, intends to defend the Organization vigorously and has referred this matter to its insurance company which has hired legal counsel to defend the suit. The Organization believes that any liability arising from this lawsuit, if any, will be covered by insurance, subject to the deductible. At the time these consolidated financial statements were prepared, the outcome of the appeal was unresolved.

18. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2019 through the date of the independent auditors' report and the date the financial statements were available to be issued, October 2, 2020. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure. However, the Coronavirus Disease 2019 ("COVID-19") global pandemic has caused business disruption through government mandated and voluntary closings and has contributed to significant declines and volatility in financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, Homeless Solutions Inc. and Subsidiaries was approved and received funding in the amount of $555,100 under the Paycheck Protection Program. Certain amounts will be forgiven if the Organization utilizes these funds in accordance with guidelines outlined under the program. Management is currently evaluating the use of these funds; therefore, the related financial impact and potential amount expected to be repaid cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

Homeless Solutions, Inc. and Subsidiaries
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity ID#	Grantor's Number	Grant Period	Grant Awards	Cumulative Program Disbursements	Current Year Program Disbursements	Current Year Cash Received	Current Year Provided to Subrecipients
U.S. Department of Housing and Urban Development:									
Safe Haven Program	14.235	N/A	NJ0114L2F091710	7/1/18-6/30/19	$ 322,823	$ 322,823	$ 117,103	$ 153,087	$ -
Safe Haven Program	14.235	N/A	NJ0114L2F091811	7/1/19-6/30/20	170,933	110,897	110,897	91,602	-
Transitional Housing Program	14.235	N/A	NJ0117L2F091710	9/1/18-8/31/19	148,684	148,684	62,639	83,665	-
Transitional Housing Program	14.235	N/A	NJ0117L2F091811	9/1/19-8/31/20	136,636	86,045	77,453	55,753	-
Supportive Housing Project	14.267	N/A	NJ0582L2F091800	7/1/19-6/30/20	184,671	39,443	39,443	-	-
					963,747	707,892	407,535	384,107	-
Pass-Through The Morris County Division of Community Development									
Home Investment Partnership Program									
23 Abbett Avenue, Morristown	14.239	N/A	B-15-UC-34-105	6/22/16-6/30/18	106,921	106,921	15,072	15,072	-
Community Development Block Grant	14.218	N/A	B-18-UC-34-0105	7/1/18-6/30/19	40,612	40,612	17,831	17,831	-
Community Development Block Grant	14.218	N/A	B-19-UC-34-0105	7/1/19-6/30/20	40,000	20,000	20,000	-	-
Pass-Through The Morris County Board of Chosen Freeholders									
Emergency Solutions Grant Program	14.231	N/A	E-19-UC-34-0019	7/1/19-6/30/20	35,000	35,000	35,000	-	-
Subtotal- U.S. Department of Housing and Urban Development					1,186,280	910,425	495,438	417,010	-
Pass-Through The State of New Jersey									
Child and Adult Food Program (CACFP)	10.558	N/A	27-1424	10/1/18-9/30/19	36,355	36,355	25,548	36,355	-
Child and Adult Food Program (CACFP)	10.558	N/A	27-1424	10/1/19-9/30/20	10,205	10,205	10,205	-	-
					46,560	46,560	35,753	36,355	-
Federal Emergency Management Agency:									
Pass-Through The United Way of Morris County									
Emergency Food and Shelter Program	97.024	N/A	N/A	2/1/18-3/31/20	592	592	592	592	-
Emergency Food and Shelter Program	97.024	N/A	N/A	10/1/18-3/31/20	4,280	4,280	4,280	4,280	-
					4,872	4,872	4,872	4,872	
Total Federal Awards					$ 1,237,712	$ 961,857	$ 536,063	$ 458,237	$ -

See Consolidated Notes to Schedules of Expenditures of Federal and State Awards

Homeless Solutions, Inc. and Subsidiaries
Consolidated Schedule of Expenditures of State Awards
For the Year Ended December 31, 2019

State Grantor/Pass-Through Grantor/Program	Grant ID#	State Account Number	Grant Period	Grant Awards	Cumulative Program Disbursements	Current Year Program Disbursements	Current Year Cash Received
New Jersey Department of Human Services:							
Morris County Board of Chosen Freeholders:							
Single Women's Shelter Program	SSH-1901	N/A	1/1/19-12/31/19	$ 55,522	$ 55,522	$ 55,522	$ 24,534
Family Shelter Program	SSH TANF-1901	N/A	1/1/19-12/31/19	28,166	28,166	28,166	23,472
Grant-in-Aid Program	GIA-1910	N/A	1/1/19-12/31/19	59,895	59,895	59,895	19,655
Grant-in-Aid Program	JJ-1905	N/A	1/1/19-12/31/19	25,766	25,766	25,766	-
Grant-in-Aid Program	GIA-1910		1/1/19-12/31/19	41,146	41,146	41,146	41,146
				210,495	210,495	210,495	108,807
The Morris County Department of Human Services Division of Employment and Temporary Assistance:							
Emergency Shelter	N/A	N/A	1/1/19-12/31/19	232,862	232,862	232,862	179,713
Warming Center	N/A	N/A	11/16/18-3/31/19	22,437	22,437	6,147	6,147
Warming Center	N/A	N/A	11/18/19-5/31/20	23,121	23,121	23,121	-
				278,420	278,420	262,130	185,860
Total State Awards				$ 488,915	$ 488,915	$ 472,625	$ 294,667

See Consolidated Notes to Schedules of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying consolidated schedules of expenditures of federal and state awards present the activity of all federal and state financial assistance programs of Homeless Solutions Inc. and Subsidiaries. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements. All federal and state financial assistance received directly from federal and state agencies is included on the consolidated schedules of federal and state awards. Because these schedules present only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

The accompanying consolidated schedules of expenditures of federal and state awards are presented using the accrual basis of accounting which is described in Note 2 to the consolidated financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and New Jersey State Circular 15-08-OMB, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

Homeless Solutions Inc. and Subsidiaries has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Sub-recipients

No federal or state awards were provided to sub-recipients.

5. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NISIVOCCIA
ASSURANCE · TAX · ADVISORY

200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

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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*

To the Board of Trustees of
Homeless Solutions, Inc. and Subsidiaries
Cedar Knolls, NJ

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 consolidated financial statements of Homeless Solutions Inc. and Subsidiaries (a nonprofit organization) (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated October 2, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homeless Solutions Inc. and Subsidiaries' 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 consolidated 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

To the Board of Trustees of
Homeless Solutions, Inc. and Subsidiaries

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nisivoccia LLP
Mt. Arlington, New Jersey
October 2, 2020

Summary of Auditors' Results:

- An unmodified report was issued on Homeless Solutions Inc. and Subsidiaries consolidated financial statements.

- The audit did not disclose any material weaknesses or significant deficiencies in internal controls of Homeless Solutions Inc. and Subsidiaries.

- The audit did not disclose any noncompliance which is material in relation to the consolidated financial statements of Homeless Solutions Inc. and Subsidiaries.

Findings Relating to the Consolidated Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Response for Federal and State Awards:

- The audit did not disclose any findings or responses for federal and state award programs.

Status of Prior Audit Findings:

There were no audit findings in the prior year.