

DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE

FINANCIAL STATEMENTS

JUNE 30, 2019

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
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FOR THE YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Interfaith Hospitality Network of the Main Line
Norristown, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Interfaith Hospitality Network of the Main Line (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interfaith Hospitality Network of the Main Line as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountant
King of Prussia, Pennsylvania

November 13, 2019

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

<u>Assets</u>	
Cash	\$ 61,766
Grants receivable	33,035
Prepaid expense	2,365
Investment in certificates of deposit	239,500
Property and equipment, net	<u>88,968</u>
 Total assets	 <u><u>\$ 425,634</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 1,193
Accrued payroll	<u>6,636</u>
 Total liabilities	 <u>7,829</u>
 <u>Net assets</u>	
Without donor restrictions	377,794
With donor restrictions	<u>40,011</u>
 Total net assets	 <u>417,805</u>
 Total liabilities and net assets	 <u><u>\$ 425,634</u></u>

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

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and revenue</u>			
Grants and contributions	\$ 119,593	40,000	\$ 159,593
Fundraising	40,344	-	40,344
Less: cost of direct donor benefits	(12,240)	-	(12,240)
Host and support congregations	61,200	22,000	83,200
Interest income	3,976	-	3,976
Contributed guest lodging and other services	76,796	-	76,796
Net assets released from restrictions	21,989	(21,989)	-
Total support and revenue	311,658	40,011	351,669
<u>Expenses</u>			
Program	295,048	-	295,048
Management and general	52,400	-	52,400
Fundraising	38,542	-	38,542
Total expenses	385,990	-	385,990
Change in net assets	(74,332)	40,011	(34,321)
Net assets at beginning of year	452,126	-	452,126
Net assets at end of year	\$ 377,794	\$ 40,011	\$ 417,805

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

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Cash flows from operating activities</u>	
Change in net assets	\$ (34,321)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	9,956
<u>Changes in assets and liabilities:</u>	
Grants receivable	(33,035)
Prepaid expense	(2,365)
Accounts payable	1,192
Accrued payroll	<u>6,636</u>
Net cash used in operating activities	<u>(51,937)</u>
 <u>Cash flows from investing activities</u>	
Purchase of certificates of deposit	<u>(3,941)</u>
Net cash used in investing activities	<u>(3,941)</u>
Net decrease in cash	(55,878)
Cash at beginning of year	<u>117,644</u>
Cash at end of year	<u><u>\$ 61,766</u></u>

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

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 125,591	\$ 31,655	\$ 19,271	\$ 176,517
Payroll taxes	11,925	3,006	1,829	16,760
Retirement plan	3,506	884	537	4,927
Employee benefits	<u>5,858</u>	<u>1,477</u>	<u>899</u>	<u>8,234</u>
Total salaries and related expenses	146,880	37,022	22,536	206,438
Accounting and audit	-	5,568	-	5,568
Contributed guest lodging and other services	76,796	-	-	76,796
Depreciation	7,084	1,785	1,087	9,956
Dues and subscriptions	2,250	-	-	2,250
Consultant	-	-	10,033	10,033
Guest relocation and services	923	-	-	923
Insurance	8,010	2,019	1,229	11,258
Occupancy	12,501	3,151	1,918	17,570
Office supplies and expense	8,474	2,136	1,300	11,910
Postage	154	39	24	217
Staff development	11,989	-	-	11,989
Strategic planning	6,500	-	-	6,500
Telephone	2,699	680	415	3,794
Travel expense	109	-	-	109
Van expense	<u>10,679</u>	<u>-</u>	<u>-</u>	<u>10,679</u>
Total expenses	<u>\$ 295,048</u>	<u>\$ 52,400</u>	<u>\$ 38,542</u>	<u>\$ 385,990</u>

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

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 1 - Nature of Organization

The Interfaith Hospitality Network of the Main Line (IHN) is a nonprofit organization that enables volunteers from local congregations and the broader community to provide compassion and temporary shelter for homeless families. IHN's programs and services connect the families to community resources, empowering them to achieve and maintain affordable housing. IHN is funded by a variety of private grants and contributions.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of IHN have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require IHN to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of IHN's management and the board of directors.

Net assets with donor restrictions: 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 IHN or by the passage of time. Other donor restrictions are perpetual in nature, where by 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 statements of activities.

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Income Tax Status

IHN is a not-for-profit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for Federal or state income taxes is included in these financial statements. IHN follows the income tax standard for uncertain tax positions. Should the tax-exempt status be challenged in the future, IHN's last three tax years are open for examination by the IRS.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and these differences could be material.

Functional Allocation of Expenses

The costs of providing IHN's various programs and supporting services have been summarized on a functional basis in the statement of support, revenue, and expenses and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Property and Equipment

All acquisitions of property and equipment over \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Compensated Absences

Employees of IHN are entitled to paid vacation, paid sick days and personal days off, depending upon job classification. It is impracticable to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. IHN's policy is to recognize the costs of compensated absences when actually paid to employees.

Statement of Cash Flows

IHN utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, include short term, highly liquid investments with an initial maturity of three months or less.

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 2 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. IHN has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 - Property and Equipment

Property and equipment as of June 30, 2019 is as follows:

Land, building and improvements	\$ 200,319
Van	30,000
Equipment and software	<u>11,203</u>
	241,522
Less accumulated depreciation	<u>(152,554)</u>
	<u>\$ 88,968</u>

Depreciation expense was \$9,956 for the year ended June 30, 2019.

The estimated useful lives were as follows:

Building	39 years
Building improvements	10 years
Van	5 years
Equipment and software	3 years

Note 4 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of June 30, 2019.

	<u>Fair Value Measurements at June 30, 2019 Using</u>			
	Assets Measured at Fair Value June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Certificates of deposit	\$ <u>239,500</u>	\$ -	\$ <u>239,500</u>	\$ -
Total assets measured at fair value	\$ <u>239,500</u>	\$ -	\$ <u>239,500</u>	\$ -

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 5 - Pension

IHN has established a SIMPLE-IRA retirement plan for the benefit of its employees who meet certain compensation requirements. Pension expense was \$4,927 in 2019.

Note 6 - Net Assets with Donor Restrictions

	<u>Balance 6/30/2018</u>	<u>Additions</u>	<u>Released or Reclassified from Restrictions</u>	<u>Balance 6/30/2019</u>
Episcopal Church of the Redeemer - time	\$ -	\$ 12,500	\$ -	\$ 12,500
Connelly Foundation - time	-	20,000	(10,000)	10,000
Philadelphia Foundation - Leadership	-	20,000	(11,989)	8,011
Various - time	-	9,500	-	9,500
	<u>\$ -</u>	<u>\$ 62,000</u>	<u>\$ (21,989)</u>	<u>\$ 40,011</u>

The above amounts are restricted by the donor for use in future periods or programs.

Note 7 - Contributed Guest Lodging and Other Services

IHN has recognized the following contributed guest lodging and other services as of June 30, 2019:

<u>Nature of Contribution</u>	<u>Fair Value</u>
Guest lodging	\$ 66,990
Guest meals	5,338
Household supplies	3,093
Gift cards	<u>1,375</u>
	<u>\$ 76,796</u>

The amount of contributed guest lodging and other services recognized as income equals the amount expensed. Therefore, there is no resultant effect on the change in net assets.

Note 8 - Availability and Liquidity

The following represents the IHN's current financial assets at June 30, 2019:

Cash	\$ 61,766
Grants receivable	<u>33,035</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 94,801</u>

IHN has been able to maintain financial assets to meet approximately 4 months of operating expenses. As part of its liquidity plan, excess cash may in the future be invested in short-term investments, including money market accounts.

**INTERFAITH HOSPITALITY NETWORK OF THE MAIN LINE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Note 9 - Evaluation of Subsequent Events

IHN has evaluated subsequent events through November 13, 2019, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.