

Report of Audit

on the

Financial Statements

of the

Somerset Home for
Temporarily Displaced
Children, Inc.

for the

Years Ended
December 31, 2013 and 2012

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

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SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Somerset Home for Temporarily
Displaced Children, Inc.
Bridgewater, New Jersey 08807

Report on the Financial Statements

We have audited the accompanying financial statements of Somerset Home for Temporarily Displaced Children, Inc., which comprise the statement of financial position as of December 31, 2013 and 2012 and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Somerset Home for Temporarily Displaced Children, Inc.'s 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of State, Local Government and Non-Profit Organizations" and State of New Jersey OMB Circular 04-04 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somerset Home for Temporarily Displaced Children, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Somerset Home for Temporarily Displaced Children, Inc.'s financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules listed above are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the financial statements as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2014 on our consideration on Somerset Home for Temporarily Displaced Children, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Somerset Home for Temporarily Displaced Children, Inc.'s internal control over financial reporting and compliance.

July 21, 2014

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 729,488 | \$ 596,011 |
| Investments | 201,993 | 567,706 |
| Accounts Receivables | 346,539 | 358,280 |
| Other Assets | 8,342 | |
| Security Deposits | 4,683 | 4,983 |
| <u>Total Current Assets</u> | <u>\$ 1,291,045</u> | <u>\$ 1,526,980</u> |
| Fixed Assets: | | |
| Land | \$ 558,714 | \$ 558,714 |
| Buildings and Improvements | 3,233,421 | 3,060,100 |
| Furniture and Equipment | 350,906 | 350,906 |
| Vehicles | 354,565 | 354,565 |
| Work in Process | 126,284 | 128,657 |
| | <u>\$ 4,623,890</u> | <u>\$ 4,452,942</u> |
| Less Accumulated Depreciation | <u>(3,096,355)</u> | <u>(2,947,078)</u> |
| <u>Net Fixed Assets</u> | <u>\$ 1,527,535</u> | <u>\$ 1,505,864</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 2,818,580</u> | <u>\$ 3,032,844</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 52,929 | \$ 67,664 |
| Overpayments Payable | | 276,950 |
| Deferred Income | 96,914 | |
| Notes Payable | 659,720 | 669,777 |
| <u>Total Liabilities</u> | <u>\$ 809,563</u> | <u>\$ 1,014,391</u> |
| Net Assets: | | |
| Unrestricted | \$ 1,611,324 | \$ 1,481,567 |
| Temporarily Restricted | 193,928 | 346,493 |
| Permanently Restricted | 203,765 | 190,393 |
| <u>Total Net Assets</u> | <u>\$ 2,009,017</u> | <u>\$ 2,018,453</u> |
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | <u>\$ 2,818,580</u> | <u>\$ 3,032,844</u> |

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

| | 2013 | | | | 2012 | | | |
|---------------------------------------|--------------|------------------------|------------------------|--------------|--------------|------------------------|------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| <u>Support and Revenue</u> | | | | | | | | |
| Support: | | | | | | | | |
| Governmental Grants | \$ 2,763,546 | \$ | \$ | \$ 2,763,546 | \$ 2,815,639 | \$ | \$ | \$ 2,815,639 |
| Foundation and Corporate Grants | 86,144 | | | 86,144 | 61,551 | | | 61,551 |
| Indirect Public Support | 14,129 | | | 14,129 | 11,810 | | | 11,810 |
| Contributions | 65,122 | 24,700 | 13,372 | 103,194 | 47,702 | 271,210 | 21,753 | 340,665 |
| <u>Total Support</u> | \$ 2,928,941 | \$ 24,700 | \$ 13,372 | \$ 2,967,013 | \$ 2,936,702 | \$ 271,210 | \$ 21,753 | \$ 3,229,665 |
| Revenue: | | | | | | | | |
| Program Revenue | \$ 75,792 | \$ | \$ | \$ 75,792 | \$ 88,647 | \$ | \$ | \$ 88,647 |
| Fundraising | 57,073 | | | 57,073 | 39,098 | | | 39,098 |
| Realized Gain (Loss) | 30,189 | | | 30,189 | 18,520 | | | 18,520 |
| Other Revenue | 10,057 | | | 10,057 | 18,934 | | | 18,934 |
| Interest Income | 7,421 | | | 7,421 | 5,855 | | | 5,855 |
| Net Assets Released from Restrictions | 177,265 | (177,265) | | | 41,908 | (41,908) | | |
| <u>Total Revenue</u> | \$ 357,797 | \$ (177,265) | \$ | \$ 180,532 | \$ 212,962 | \$ (41,908) | \$ | \$ 171,054 |
| <u>Total Support and Revenue</u> | \$ 3,286,738 | \$ (152,565) | \$ 13,372 | \$ 3,147,545 | \$ 3,149,664 | \$ 229,302 | \$ 21,753 | \$ 3,400,719 |
| Expenses: | | | | | | | | |
| Program Services | \$ 2,806,613 | \$ | \$ | \$ 2,806,613 | \$ 2,953,078 | \$ | \$ | \$ 2,953,078 |
| Support Services | 232,188 | | | 232,188 | 326,946 | | | 326,946 |
| Fund Raising | 118,180 | | | 118,180 | 35,107 | | | 35,107 |
| <u>Total Expenses</u> | 3,156,981 | | | 3,156,981 | 3,315,131 | | | 3,315,131 |
| Change in Net Assets | \$ 129,757 | \$ (152,565) | \$ 13,372 | \$ (9,436) | \$ (165,467) | \$ 229,302 | \$ 21,753 | \$ 85,588 |
| Net Assets, Beginning of Year | 1,481,567 | 346,493 | 190,393 | 2,018,453 | 1,647,034 | 117,191 | 168,640 | 1,932,865 |
| Net Assets, End of Year | \$ 1,611,324 | \$ 193,928 | \$ 203,765 | \$ 2,009,017 | \$ 1,481,567 | \$ 346,493 | \$ 190,393 | \$ 2,018,453 |

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|--|-----------------------------|-----------------------------|
| Cash Flows From Operating Activities: | | |
| Change in Net Assets | \$ (9,436) | \$ 85,588 |
| Add (Deduct) Expenses and Income Not Using Working Capital: | | |
| Depreciation | 149,277 | 177,244 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by(Used for) Operating Activities: | | |
| Accounts Receivable | 11,741 | (85,083) |
| Security Deposits | 300 | |
| Other Assets | (8,342) | |
| Accounts Payable and Accrued Expenses | (14,735) | (8,870) |
| Overpayments Payable | (276,950) | 27,856 |
| Deferred Revenue | 96,914 | (2,231) |
| | <u> </u> | <u> </u> |
| <u>Net Cash Provided(Used) by Operating Activities</u> | <u>\$ (51,231)</u> | <u>\$ 194,504</u> |
| Cash Flows From Investing Activities: | | |
| Purchases of Fixed Assets | \$ (170,948) | \$ (41,908) |
| (Purchase) Sale of Investments | 365,713 | (275,938) |
| | <u> </u> | <u> </u> |
| <u>Net Cash Provided(Used) by Investing Activities</u> | <u>\$ 194,765</u> | <u>\$ (317,846)</u> |
| Cash Flows From Financing Activities: | | |
| Payment of Loans | \$ (10,057) | \$ (12,057) |
| Receipt of Endowment Funds | - | (4,500) |
| | <u> </u> | <u> </u> |
| <u>Net Cash Used by Financing Activities</u> | <u>\$ (10,057)</u> | <u>\$ (16,557)</u> |
| Net Increase (Decrease) in Cash | \$ 133,477 | \$ (139,899) |
| Cash and Cash Equivalents - Beginning of Year | <u>596,011</u> | <u>735,910</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 729,488</u> | <u>\$ 596,011</u> |

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

| | 2013 | | | | 2012 | | | |
|--------------------------|---------------------|---|-----------------------------|---------------------|---------------------|---|-----------------------------|---------------------|
| | PROGRAM EXPENSES | GENERAL AND ADMINISTRATIVE EXPENSES | FUND RAISING EXPENSES | TOTAL EXPENSES | PROGRAM EXPENSES | GENERAL AND ADMINISTRATIVE EXPENSES | FUND RAISING EXPENSES | TOTAL EXPENSES |
| Salaries | \$ 1,714,604 | \$ 102,912 | \$ 87,600 | \$ 1,905,116 | \$ 1,786,390 | \$ 178,639 | \$ 19,849 | \$ 1,984,878 |
| Payroll Taxes | 155,928 | 8,565 | 8,760 | 173,253 | 161,158 | 16,116 | 1,791 | 179,065 |
| Fringe Benefits | 273,252 | 18,325 | 12,036 | 303,613 | 281,766 | 28,176 | 3,131 | 313,073 |
| Travel | 29,422 | 2,942 | 327 | 32,691 | 29,585 | 2,958 | 329 | 32,872 |
| Van Expense | 22,192 | | 115 | 22,307 | 17,105 | | 114 | 17,219 |
| Repairs and Maintenance | 86,666 | | | 86,666 | 76,644 | 3,831 | 192 | 80,667 |
| Insurance | 48,449 | 2,550 | | 50,999 | 49,438 | 2,601 | | 52,039 |
| Communications | 27,025 | 4,292 | 472 | 31,789 | 27,903 | 4,432 | 487 | 32,822 |
| Professional Fees | | 39,572 | 1,225 | 40,797 | | 30,897 | 1,225 | 32,122 |
| Occupancy | 93,055 | 4,898 | | 97,953 | 108,663 | 5,720 | | 114,383 |
| Office Expenses | 15,333 | 10,309 | 3,811 | 29,453 | 13,927 | 9,551 | 3,811 | 27,289 |
| Printing | 10,702 | 10,141 | 561 | 21,404 | 10,393 | 9,832 | 561 | 20,786 |
| Postage | 3,122 | 1,561 | 520 | 5,203 | 3,509 | 1,754 | 585 | 5,848 |
| Dues and Subscriptions | 22,465 | 7,488 | | 29,953 | 26,435 | 8,812 | | 35,247 |
| Recreation | 18,421 | | | 18,421 | 14,158 | | | 14,158 |
| House Expenses | 24,576 | | | 24,576 | 32,933 | | | 32,933 |
| Food Expenses | 73,922 | | 846 | 74,768 | 85,098 | | 846 | 85,944 |
| Client Assistance | 34,189 | | | 34,189 | 39,028 | | | 39,028 |
| Advertising | 5,045 | 443 | 414 | 5,902 | 3,389 | 308 | 414 | 4,111 |
| Professional Development | 13,896 | 3,474 | | 17,370 | 26,037 | 6,509 | | 32,546 |
| Bank Charges | | 681 | | 681 | | 381 | | 381 |
| Contributions | | 600 | | 600 | | 476 | | 476 |
| Depreciation | 134,349 | 13,435 | 1,493 | 149,277 | 159,519 | 15,953 | 1,772 | 177,244 |
| TOTAL | \$ <u>2,806,613</u> | \$ <u>232,188</u> | \$ <u>118,180</u> | \$ <u>3,156,981</u> | \$ <u>2,953,078</u> | \$ <u>326,946</u> | \$ <u>35,107</u> | \$ <u>3,315,131</u> |

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

NATURE OF ACTIVITIES

Somerset Home for Temporarily Displaced Children, Inc. (the "Organization") is a nonprofit corporation dedicated to providing a variety of services to youth and young adults at risk of homelessness or maltreatment. Located in Bridgewater, NJ, the Organization provides services to youths throughout New Jersey.

Program Activities

Brahma House - Short Term Crisis Group Home and Shelter Program
Street SMART - Street Outreach Program
Pathways - Independent Living Skills Education Program
Passages - Transitional Living Program
My Place - Transitional Living Program
Whitney House - Transitional Living Program
Bridge House - Supportive Housing

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash equivalents.

Investments

Investments in marketable securities and debt securities in the statement of financial position are valued at their fair values based on quoted market prices or prices which are provided by investment managers that are obtained from independent sources they believe to be reliable. Realized and unrealized gains and losses are included in the statement of activities.

Revenue Recognition

Federal and certain State funds are received on a cost reimbursement basis. Revenue with respect to these federal and state awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to the Organization.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as net assets released from restrictions.

Use of Estimates

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

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Property and equipment are stated at cost at date of acquisition. Depreciation is based on estimated useful life of the acquired asset, applied on a straight line basis.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private organization" within the meaning of Section 509(a)(1) of the Code.

Financial Accounting Standards Board Interpretation No. 48 requires that an organization recognize in the financial statements the impact of its tax position if that position was not to be sustained on review, based on the technical merits of the position. During the year ended December 31, 2013, the Organization performed an evaluation of its tax positions and did not note any matters that would require recognition in the statement of activities or which may have an effect on its tax-exempt status.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributed Services

The Organization receives a substantial amount of services donated by its volunteers in carrying out the organization's purpose. No amounts have been reflected in the financial statements for those services.

(2) FINANCIAL DEPENDENCY

The Organization receives approximately eighty-eight percent (88%) of its operating support from governmental grants and contracts. The Organization is economically dependent on these grants to carry on its operations.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|-------------------------|------------------|------------------|
| Checking Accounts | \$727,188 | \$593,711 |
| Certificates of Deposit | - 0 - | - 0 - |
| Petty Cash | <u>2,300</u> | <u>2,300</u> |
| | <u>\$729,488</u> | <u>\$596,011</u> |

The Organization maintains its accounts in three separate financial institutions. Bank balances on deposit are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository. The cash and securities held by brokerage firms are protected by the Security Investment Protection Corporation. Generally, funds are protected up to a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims.

(4) CREDIT RISK

The Organization maintains cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash accounts.

The Organization maintains cash in a financial institution. Accounts at the institution are insured by the Securities Investor Protection Corporation (SIPC). SIPC coverage is also limited to \$500,000 per customer, including up to \$100,000 for cash. For purposes of SIPC coverage, customers are persons who have securities or cash on deposit with a SIPC member for the purpose of, or as a result of, securities transactions.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(5) INVESTMENTS

The fair value of investments is summarized as follows:

| | <u>2013</u> | | <u>2012</u> | |
|------------------------|---------------------|------------------|---------------------|------------------|
| | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> |
| Mutual Funds - Level 1 | <u>\$201,993</u> | <u>\$221,625</u> | <u>\$567,706</u> | <u>\$591,380</u> |

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges (Level 1 measurements).

The primary objective of the Organization's investments is capital appreciation and return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide growth of Endowment assets at a rate that that will provide available funds for program expenses and growth to endowment assets.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(6) FAIR VALUE MEASUREMENTS

The Organization's assets and liabilities reported at fair value are valued using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy defines three levels of inputs, giving the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 Measurements - Quoted prices for identical instruments in active markets. Assets utilizing Level 1 inputs are marketable securities and other investments that are actively traded and provide the basis for fair value measurement.

Level 2 Measurements – Inputs other than quoted prices included in Level 1 that are observable either directly or indirectly; quoted prices for identical or similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, for substantially the full term of the assets or liabilities.

Level 3 Measurements - Significant inputs to the valuation model are unobservable. Currently, the Organization does not have any Level 3 financial instrument inputs.

The fair-value hierarchy for assets and liabilities measured at fair value is as follows:

| | 2013 | | | |
|---------------------------|------------------|----------------|----------------|------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investment at Fair Value: | | | | |
| Marketable Securities | <u>\$201,993</u> | <u>- 0 -</u> | <u>- 0 -</u> | <u>\$201,993</u> |
| | | | | |
| | 2012 | | | |
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investment at Fair Value: | | | | |
| Marketable Securities | <u>\$567,706</u> | <u>- 0 -</u> | <u>- 0 -</u> | <u>\$567,706</u> |

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(7) ENDOWMENT FUND

The Organization's endowment fund consists of several funds established for a variety of purposes. The funds are restricted by donors. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the Organization and the donor-restricted endowment fund; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the Organization; and (7) The investment policies of the Organization.

Endowment fund net asset composition by type of fund at December 31, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|------------------|------------------|
| Permanently Restricted Net Assets | <u>\$203,765</u> | <u>\$190,393</u> |

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(7) ENDOWMENT FUND (CONTINUED)

Changes in Endowment Funds for the years ended December 31, 2013 and 2012:

| | 2013 | | | |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Balance, December 31, 2012 | \$ 26,250 | \$ - 0 - | \$190,393 | \$216,643 |
| Contributions | | | 13,372 | 13,372 |
| Investment Income | | | | |
| Net Realized/Unrealized Gains/(Losses) | 30,189 | | | 30,189 |
| Transfers to/from Operating Appropriations for Expenses | <u>(2,299)</u> | <u> </u> | <u> </u> | <u>(2,299)</u> |
| Balance, December 31, 2013 | \$ <u>54,140</u> | \$ <u>- 0 -</u> | <u>\$203,765</u> | <u>\$257,905</u> |
| | 2012 | | | |
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Balance, December 31, 2011 | \$ 12,230 | \$ - 0 - | \$ 168,640 | \$ 180,870 |
| Contributions | | | 21,753 | 21,753 |
| Investment Income | | | | |
| Net Realized/Unrealized Gains/(Losses) | 18,520 | | | 18,520 |
| Transfers to/from Operating Appropriations for Expenses | <u>(4,500)</u> | <u> </u> | <u> </u> | <u>(4,500)</u> |
| Balance, December 31, 2012 | \$ <u>26,250</u> | \$ <u>- 0 -</u> | <u>\$190,393</u> | <u>\$ 216,643</u> |

Endowment Fund balances at December 31, 2013 and 2012 are as follows:

| | <u>2013</u> | <u>2012</u> |
|--------------------|------------------|------------------|
| Cash | \$ 3,680 | \$ 4,430 |
| Fixed Income Funds | 33,394 | 76,336 |
| Stock Mutual Funds | - 0 - | 118,423 |
| Other Assets | <u>220,831</u> | <u>5,224</u> |
| | <u>\$257,905</u> | <u>\$204,413</u> |

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(8) FIXED ASSETS

Fixed assets are stated at cost at date of acquisition. The Organization follows the practice of capitalizing all fixed assets acquisitions. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. At December 31, 2013 and 2012, such assets were:

| | <u>2013</u> | <u>2012</u> |
|----------------------------------|---------------------|--------------------|
| Land | \$ 558,714 | \$ 558,714 |
| Building and Improvements | 3,233,421 | 3,060,100 |
| Furniture and Equipment | 350,906 | 350,906 |
| Vehicles | 354,565 | 354,565 |
| Work in Process | <u>126,284</u> | <u>128,657</u> |
| | \$4,623,890 | \$4,452,942 |
| Less: Accumulated Depreciation | <u>(3,096,355)</u> | <u>(2,947,078)</u> |
| Net Land, Building and Equipment | <u>\$ 1,527,535</u> | <u>\$1,505,864</u> |

(9) PENSION PLAN

The Organization has established a defined contribution pension plan for the benefit of its employees. The plan is noncontributory and covers full time employees who are at least twenty-one years of age and who have completed twelve months and 1,000 hours of service.

Under the plan, a predetermined contribution is made to the account of each eligible employee, based on annual compensation levels, and accrued for their benefit. Total contributions and related expenses for the year ended December 31, 2013 and 2012 was \$82,500 and \$71,445, respectively.

The Organization has established a 401(k) plan with an employer matching program. For the years ending December 31, 2013 and 2012, the Organization contributed \$30,807 and \$38,473 in matching funds, respectively.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(10) NOTES PAYABLE

The Organization has note obligations consisting of the following:

- (a) The Organization is obligated to the New Jersey Department of Human Services under six separate 20-year notes. The notes were created in accordance with the Division of Youth and Family Services' capital funding agreement for construction of the Passages group home facility, the renovation of the residential shelter/group home and improvements at My Place. The amount of each note shall be reduced for each full year of service provided by the facilities, with full satisfaction of the notes by the year 2012, 2014, 2019, 2020, 2025 and 2029 respectively. For the year ending December 31, 2013, \$10,057 was reduced against these notes. The outstanding balance of the notes at December 31, 2013 is \$99,710.
- (b) The Organization is obligated to the New Jersey Department of Human Services on a promissory note in the amount of \$100,000. The note is secured by the My Place group home located in Bridgewater, New Jersey and is payable should the Organization cease operations.
- (c) The Organization is obligated to the New Jersey Department of Human Services on a promissory note in the amount of \$25,000. The note is secured by the Whitney House group home located in Bridgewater, New Jersey and is payable should the Organization cease operations.
- (d) The Organization is obligated to the County of Somerset on a loan in the amount of \$260,010. The loan is secured by the Whitney House group home located in Bridgewater, New Jersey and is a Permanent Development Loan.
- (e) The Organization is obligated to the County of Somerset on a loan in the amount of \$175,000. The loan is secured by the Bridge House group home located in Bridgewater, New Jersey and is a Permanent Development Loan.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(11) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Restricted purpose accomplished during the periods ended December 31:

| | <u>2013</u> | <u>2012</u> |
|------------------|------------------|-----------------|
| Program Services | <u>\$177,265</u> | <u>\$41,908</u> |

(12) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are available for the following purposes:

| | <u>2013</u> | <u>2012</u> |
|------------------|------------------|------------------|
| Improvement Fund | <u>\$193,928</u> | <u>\$346,493</u> |

(13) SUBSEQUENT EVENTS

Somerset Home for Temporarily Displaced Children, Inc. has evaluated subsequent events occurring after the financial statement date through July 21, 2014, which is the date the financial statements were available to be issued. Based on this evaluation, Somerset Home for Temporarily Displaced Children, Inc. has determined that no subsequent events have occurred which require disclosure in the financial statements.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

(14) OVERPAYMENT PAYABLE

In prior years, the Organization received funding and payments for services in error. These funds are reflected as overpayments payable. The Organization refunded \$276,950 in 2013 and has an overpayment payable totaling \$0 at December 31, 2013 and \$276,950 at December 31, 2012.

(15) CONTINGENT LIABILITIES - GRANTS

The Organization participates in federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. The federal and state grants received and expended were subject to the Single Audit Act Amendments and State of New Jersey OMB Circular 04-04, which mandates that grant revenues and expenditures be audited in conjunction with the Organization's annual audit. Findings and questioned costs, if any, relative to state financial assistance programs will be discussed in detail in the Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

(16) TAXES DUE GOVERNMENT ENTITIES

All taxes due government entities, incurred during 2013, have been examined and were found to be paid in correct amounts and in a timely manner.

(17) COMMITMENTS, CONTINGENCY AND SUBSEQUENT EVENT

In the opinion of management, claims, lawsuits, commitments and contingencies incidental to the business of the Organization have been adequately provided for in the financial statements.

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SINGLE AUDIT SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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E-mail info@scnco.com

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

The Board of Trustees
Somerset Home for Temporarily
Displaced Children, Inc.
Bridgewater, New Jersey 08807

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Somerset Home for Temporarily Displaced Children, Inc. as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Somerset Home for Temporarily Displaced Children, Inc.'s financial statements, and have issued our report thereon dated July 21, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Somerset Home for Temporarily Displaced Children, Inc.'s control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Somerset Home for Temporarily Displaced Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Somerset Home for Temporarily Displaced Children, Inc.'s internal control.

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

SUPLEE, CLOONEY & COMPANY

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 21, 2014

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MAJOR
STATE FINANCIAL ASSISTANCE PROGRAMS AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH NEW JERSEY OMB CIRCULAR 04-04**

The Board of Trustees
Somerset Home for Temporarily
Displaced Children, Inc.
Bridgewater, New Jersey 08807

Report on Compliance for Each Major State Program

We have audited Somerset Home for Temporarily Displaced Children, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey OMB State Grant Compliance Supplement* that could have a direct and material effect on each of Somerset Home for Temporarily Displaced Children, Inc.'s major state programs for the year ended December 31, 2013. Somerset Home for Temporarily Displaced Children, Inc.'s major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Somerset Home for Temporarily Displaced Children, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB 04-04. Those standards, OMB Circular A-133 and NJ OMB 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Somerset Home for Temporarily Displaced Children, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

SUPLEE, CLOONEY & COMPANY

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Somerset Home for Temporarily Displaced Children, Inc's compliance.

Opinion on Each Major State Program

In our opinion, Somerset Home for Temporarily Displaced Children, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Somerset Home for Temporarily Displaced Children, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Somerset Home for Temporarily Displaced Children, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJ OMB 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Somerset Home for Temporarily Displaced Children, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

SUPLEE, CLOONEY & COMPANY

Report on Schedule of State Financial Assistance Required by NJ OMB 04-04

We have audited the financial statements of Somerset Home for Temporarily Displaced Children, Inc. as of and for the year ended December 31, 2013, and have issued our report thereon dated July 21, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and NJ Circular 04-04 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

July 21, 2014

A handwritten signature in cursive script that reads "Suplee, Clooney & Company". The signature is written in black ink and is positioned to the right of the date.

SCHEDULE 1

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED DECEMBER 31, 2013

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE | FEDERAL C.F.D.A. NUMBER | GRANT AWARD | ACTUAL RECEIVED | GRANT PERIOD | | 2013 EXPENDITURES |
|--|-------------------------------|----------------|--------------------|--------------|----------|----------------------|
| | | | | FROM | TO | |
| Department Human Services: Brahma House - Basic Center | 93.623 | \$ 185,000 | \$ 27,762 | 09/30/13 | 09/29/14 | \$ 27,762 |
| Brahma House - Basic Center | 93.623 | 178,000 | 148,330 | 09/30/12 | 09/29/13 | 148,330 |
| Brahma House - Street Outreach | 93.557 | 187,160 | 45,842 | 09/30/13 | 09/29/14 | 45,842 |
| Brahma House - Street Outreach | 93.557 | 100,000 | 75,000 | 09/30/12 | 09/29/13 | 75,000 |
| Passages - Transitional Living | 93.557 | 186,115 | 124,076 | 05/01/13 | 04/30/14 | 124,076 |
| Department of Agriculture: Pass-Through State of New Jersey Department of Education: Bureau of Child Nutrition Programs Brahma House | 10.558 | | 2,044 | 10/01/13 | 09/30/14 | 2,044 |
| Brahma House | 10.558 | | 7,463 | 10/01/12 | 09/30/13 | 7,463 |
| Transitional Living Programs | 10.558 | | 7,391 | 10/01/13 | 09/30/14 | 7,391 |
| Transitional Living Programs | 10.558 | | 16,408 | 10/01/12 | 09/30/13 | 16,408 |
| Pass-Through County of Somerset: Community Development Block Grant | 14.218 | 25,600 | 8,533 | 09/20/13 | 09/20/14 | 8,533 |
| Community Development Block Grant | 14.218 | 12,769 | 8,513 | 09/20/12 | 08/20/13 | 8,513 |
| Community Development Block Grant | 14.218 | 22,000 | 22,000 | 09/20/12 | 08/20/13 | 22,000 |
| | | | | | | \$ 493,362 |

SCHEDULE 2

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE PERIOD ENDED DECEMBER 31, 2013

| <u>STATE GRANTOR/PROGRAM TITLE</u> | <u>CONTRACT NUMBER</u> | <u>GRANT AWARD AMOUNT</u> | <u>ACTUAL RECEIVED</u> | <u>GRANT PERIOD FROM</u> | <u>TO</u> | <u>2013 EXPENDITURES</u> |
|--|------------------------|---------------------------|------------------------|--------------------------|-----------|--------------------------|
| State of New Jersey Department of Children and Families: Division of Child Protection and Permanency: My Place | 13AMTC | \$ 359,795 | \$ 359,796 | 01/01/13 | 12/31/13 | \$ 359,796 |
| Whitney House | 13AMTC | 315,893 | 315,888 | 01/01/13 | 12/31/13 | 315,888 |
| Bridge House | 13AMTC | 77,121 | 77,124 | 01/01/13 | 12/31/13 | 77,124 |
| Pathways | 13AMTC | 135,024 | 135,024 | 01/01/13 | 12/31/13 | 135,024 |
| Brahma House | 13AMTC | 800,095 | 406,623 | 01/01/13 | 12/31/13 | 406,623 |
| Division of Children's System of Care: Passages Group Home | 12GCTR | 1,882,325 | 790,783 | 01/01/13 | 12/31/13 | 790,783 |
| Pass-Through County of Somerset: Shelter Services | | 150,000 | 150,000 | 01/01/13 | 12/31/13 | 150,000 |
| Department of Children & Families Street Outreach | 14YOTZ | 277,780 | 106,946 | 07/01/13 | 06/30/14 | 56,946 |
| | | | | | | \$ 2,292,184 |

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

PERIOD ENDED DECEMBER 31, 2013

(1) GENERAL

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal awards and state financial assistance programs of Somerset Home for Temporarily Displaced Children, Inc. The Organization is defined in the Notes to the Organization's financial statements. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

(2) BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the accrual basis of accounting.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Organization's financial statements.

(4) 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.

(5) OTHER

Matching contributions expended by the Organization in accordance with terms of the various grants are not reported in the accompanying schedules.

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| (1) Type of Auditor's Report Issued: | Unmodified |
| (2) Internal Control Over Financial Reporting: | |
| (a) Material weaknesses identified? | None Reported |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (3) Noncompliance material to the basic financial statements noted? | None Reported |

Federal Program(s)

Not applicable

State Program(s)

- | | |
|---|---------------|
| (1) Internal Control Over Major State Programs: | |
| (a) Material weaknesses identified? | None Reported |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | N/A |
| (2) Type of Auditor's Report issued on compliance for major state program(s)? | Unmodified |
| (3) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 04-04? | None Reported |

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditor's Results (Continued)

State Program(s) (Continued)

(4) Identification of Major State Program(s):

| <u>Program</u> | <u>Grant Number</u> |
|---|-------------------------|
| NJ Department of Children and Families: Division of Child Protection and Permanency: | |
| Group Homes | 13 AMTC |

(5) Program Threshold Determination:

Type A State Program Threshold > \$300,000.00
Type B State Program Threshold <= \$300,000.00

(6) Auditee qualified as a low-risk auditee under OMB Circular A-133? Yes

**Section II - Financial Statement Audit - Reported Findings Under
Government Auditing Standards**

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major State Programs

Federal Programs - None Reported

State Programs - None Reported

SOMERSET HOME FOR TEMPORARILY DISPLACED CHILDREN, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013

Status of Prior Audit Findings

Federal Programs - None Reported

State Programs - None Reported

