

**The Partnership for the Homeless, Inc.**

Financial Statements

June 30, 2018

## Independent Auditors' Report

### Board of Directors

### The Partnership for the Homeless, Inc.

We have audited the accompanying financial statements of The Partnership for the Homeless, Inc., (the "Partnership") which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 The Partnership for the Homeless, Inc. as of June 30, 2018, 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.

*PKF O'Connor Davies, LLP*

October 12, 2018

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**The Partnership for the Homeless, Inc.**

Statement of Financial Position  
June 30, 2018

**ASSETS**

Cash and cash equivalents	\$ 858,980
Short term investments	1,486,072
Due from governmental agencies	438,647
Prepaid expenses and other assets	48,362
Client custodial funds	257,806
Security deposits and other	41,263
Property, plant and equipment, net	<u>29,587</u>
	<u>\$ 3,160,717</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable and accrued expenses	\$ 62,799
Accrued payroll and related liabilities	67,520
Client custodial funds	257,806
Contract program advances payable	<u>301,984</u>
Total Liabilities	<u>690,109</u>
Net Assets	
Unrestricted	
Undesignated	1,907,630
Board designated	<u>500,000</u>
Total Unrestricted	2,407,630
Temporarily restricted	<u>62,978</u>
Total Net Assets	<u>2,470,608</u>
	<u>\$ 3,160,717</u>

See notes to financial statements

**The Partnership for the Homeless, Inc.**

Statement of Activities  
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Service fees from governmental agencies	\$ 710,855	\$ -	\$ 710,855
Service contracts with other agencies	227,790	-	227,790
DMH pass-thru	655,540	-	655,540
Contributions and grants	607,679	167,500	775,179
In-kind contributions	736,994	-	736,994
Interest and other	8	-	8
Net assets released from restrictions	<u>438,522</u>	<u>(438,522)</u>	<u>-</u>
Total Revenue and Support	<u>3,377,388</u>	<u>(271,022)</u>	<u>3,106,366</u>
<b>EXPENSES</b>			
Program Services			
The Family Resource Center: Services for Children and Families	2,019,184	-	2,019,184
Economic Opportunity Project	383,125	-	383,125
Positive Step: Housing and Services for HIV + Individuals	290,821	-	290,821
ICM Funds Processing	171,861	-	171,861
Research and Advocacy	97,410	-	97,410
DMH Pass-Thru	<u>655,540</u>	<u>-</u>	<u>655,540</u>
Total Program Services	<u>3,617,941</u>	<u>-</u>	<u>3,617,941</u>
Support Services			
Management and general	377,978	-	377,978
Fundraising	<u>326,788</u>	<u>-</u>	<u>326,788</u>
Total Support Services	<u>704,766</u>	<u>-</u>	<u>704,766</u>
Total Expenses	<u>4,322,707</u>	<u>-</u>	<u>4,322,707</u>
Change in Net Assets before Non-Operating Activities	(945,319)	(271,022)	(1,216,341)
<b>NON-OPERATING ACTIVITIES</b>			
Transfer of Net Assets from The Partnership Homeless Facilities Corporation	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Change in Net Assets	554,681	(271,022)	283,659
<b>NET ASSETS</b>			
Beginning of year	<u>1,852,949</u>	<u>334,000</u>	<u>2,186,949</u>
End of year	<u>\$ 2,407,630</u>	<u>\$ 62,978</u>	<u>\$ 2,470,608</u>

See notes to financial statements

The Partnership for the Homeless, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2018

	Program Services						Support Services				Total Expenses
	The Family Resource Center: Services for Children and Families	Economic Opportunity Project	Positive Step: Housing and Services for HIV+ Individuals	ICM Funds Processing	Research	DMH Pass-Thru	Total Program Services	Management and General	Fundraising	Total Support Services	
<b>PERSONNEL COSTS</b>											
Salaries	\$ 717,557	\$ 209,318	\$ 178,375	\$ 118,361	\$ 52,171	\$ -	\$ 1,275,782	\$ 161,764	\$ 121,285	\$ 283,049	\$ 1,558,831
Fringe benefits	211,972	68,093	50,174	34,859	17,028	-	382,126	42,087	39,699	81,786	463,912
Total Personnel Costs	929,529	277,411	228,549	153,220	69,199	-	1,657,908	203,851	160,984	364,835	2,022,743
<b>OTHER THAN PERSONNEL COSTS</b>											
Professional fees (includes in-kind legal expenses of \$736,994)	778,816	5,107	3,458	1,932	4,575	-	793,888	7,735	48,802	56,537	850,425
Office supplies and expense	18,187	7,100	2,021	1,944	1,311	-	30,563	19,605	3,276	22,881	53,444
Postage	207	522	35	746	27	-	1,537	398	12,561	12,959	14,496
Printing and production	160	65	43	-	16	-	284	119	44,797	44,916	45,200
Telephone and communications	9,526	12,074	2,001	2,506	1,369	-	27,476	19,545	5,241	24,786	52,262
Rent	74,232	39,446	25,247	5,107	12,432	-	156,464	56,609	16,536	73,145	229,609
Utilities	5,780	23,532	1,258	2,540	5,883	-	38,993	48,187	9,586	57,773	96,766
Repairs and maintenance	11,052	4,033	2,651	2,677	630	-	21,043	6,329	3,177	9,506	30,549
Equipment purchase and rental	691	1,464	-	-	-	-	2,155	-	3,409	3,409	5,564
Travel and conference	5,075	715	2,417	-	-	-	8,207	63	-	63	8,270
Food	92,607	2,023	1,878	-	152	-	96,660	1,023	202	1,225	97,885
Client travel	2,394	-	2,717	-	-	-	5,111	-	-	-	5,111
Relief and other program expenses	64,846	1,459	14,065	-	38	-	80,408	211	13,655	13,866	94,274
Dues and subscriptions	104	1,134	-	13	18	-	1,269	251	81	332	1,601
Insurance	16,387	3,844	2,577	1,176	961	-	24,945	8,843	2,883	11,726	36,671
Depreciation and amortization	9,591	3,196	1,904	-	799	-	15,490	5,209	1,598	6,807	22,297
DMH Pass-Thru payments	-	-	-	-	-	655,540	655,540	-	-	-	655,540
Total Other than Personnel Costs	1,089,655	105,714	62,272	18,641	28,211	655,540	1,960,033	174,127	165,804	339,931	2,299,964
Total Expenses	\$ 2,019,184	\$ 383,125	\$ 290,821	\$ 171,861	\$ 97,410	\$ 655,540	\$ 3,617,941	\$ 377,978	\$ 326,788	\$ 704,766	\$ 4,322,707

See notes to financial statements

**The Partnership for the Homeless, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 283,659
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation and amortization	22,297
Changes in assets and liabilities	
Due from governmental agencies	(73,741)
Prepaid expenses and other assets	56,770
Pledges receivable	334,000
Due from affiliate	(585)
Accounts payable and accrued expenses	(100,299)
Accrued payroll and related liabilities	(27,515)
Contract program advances payable	<u>(122,045)</u>
Net Cash from Operating Activities	372,541

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of short term investments	<u>(1,486,072)</u>
Change in Cash and Cash Equivalents	(1,113,531)

**CASH AND CASH EQUIVALENTS**

Beginning of year	<u>1,972,511</u>
End of year	<u>\$ 858,980</u>

See notes to financial statements

## The Partnership for the Homeless, Inc.

Notes to Financial Statements

June 30, 2018

### 1. Organization

The Partnership for the Homeless, Inc. (the “Partnership”) is committed to building a just and equitable society and creating lasting community change through the development of solution-oriented programs and policy initiatives that eliminate the root causes of homelessness.

The Partnership is qualified as tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes. The Internal Revenue Service has classified the Partnership as an organization that is not a private foundation as defined in Section 509(a)(2) of the Internal Revenue Code.

The Partnership receives support from individuals, corporations, foundations and revenue through contracts with various governmental agencies to provide the services it offers. The Partnership addresses the underlying causes of homelessness through the following initiatives:

The Partnership shares certain members and officers of its Board of Directors with a not-for-profit affiliate, The Partnership Homeless Facilities Corporation (the “Corporation”), which was organized to provide rental space to the Partnership.

**Direct Services:** The programs of the Partnership focus on communities that sit at the center of New York City’s homeless crisis, with a special emphasis on East New York, Brooklyn, which has some of the highest poverty rates in the city and features a disproportionate number of families that are at-risk of homelessness, living in shelter, or struggling after leaving a shelter.

The Partnership’s services, offered through its **Family Resource Center**, address the full spectrum of issues that may result in a family’s becoming homeless, using a team of staff members, representing various disciplines, as well as neighborhood-based organizations that can augment those services. This multi-pronged approach ensures that the Partnership addresses the interconnected issues challenging families – and that the Partnership addresses both immediate crises and longer-term concerns.

The following are essential components of how the Partnership, through its **Family Resource Center**, helps families:

- **Addressing Housing Needs:** A first crucial step is to focus on preventing a family from entering the shelter system, preserving their housing or relocating them to more suitable housing. If, however, a client is already in shelter, staff seeks to move them rapidly out into permanent housing.
- **Addressing Support Needs:** Once housing is stabilized, staff focuses on ensuring a family’s long-term wellness and prosperity by providing services that address health issues, through **Positive Step**, and economic independence, through its Economic Opportunity Project, along with educational issues, through its **Education Rights Project**, facing homeless children.
- **Community Integration:** For formerly homeless families or those at imminent risk, housing stability depends on building roots and having a sense of belonging in their community. And to build those ties, staff works with clients to help them connect with neighbors, health care providers, faith-based organizations and schools, for example.

## The Partnership for the Homeless, Inc.

Notes to Financial Statements

June 30, 2018

### 1. Organization (*continued*)

**Emergency Food Program:** The Partnership provides approximately 20,000 meals to homeless and low-income families and children through partnerships with food banks and pantries across Brooklyn.

**Economic Opportunity Project (EOP):** Focuses on attachment to the labor force and long-term career development as its overarching themes through utilizing a non-traditional approach that is tailored to individual client needs. The Partnership believes that in order to effectively assist clients, it must help them to do the following: 1) obtain the hard skills, readiness skills, and non-cognitive workplace skills necessary to succeed in living-wage and career-oriented employment, 2) secure multiple work experiences (career-focused internship, career track job), 3) develop the skills and support systems that are integral to navigating employment retention and family needs following exit from the program, and 4) reduce reliance on public assistance by achieving long-term financial independence and housing stability.

**Research:** In addition to providing high-quality services to families in need, the Partnership uses its programs as a place to incubate ideas – to understand the drivers of and risk factors for homelessness and to test interventions using real social science rigor. Thus, the Partnership is a place to ground-test and develop “best practice” models that can be scaled to other communities – and can be used to support the Partnership’s advocacy efforts to help influence government policy and practice, and both public and private funding priorities.

**ICM Funds Processing:** The Partnership, through its finance department, helps support the New York State Office of Mental Health (“NYS OMH”) and the New York City Department of Health and Mental Hygiene (“NYC DOHMH”) by overseeing and monitoring fund reimbursements to intensive case managers employed by those governmental agencies.

**DMH Pass-Thru:** Manages emergency client funds used for the purpose of reimbursing intensive care managers under the contracts with NYS OMH and NYC DOHMH.

### 2. Summary of Significant Accounting Policies

#### **Basis of Presentation and Use of Estimates**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses recognized during the reporting period. Accordingly actual results could differ from those estimates.

#### **Net Asset Presentation**

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

**Unrestricted** – consist of resources available for the general support of the Partnership’s operations. Unrestricted net assets may be used at the discretion of the Partnership’s management and Board of Directors.



## The Partnership for the Homeless, Inc.

Notes to Financial Statements

June 30, 2018

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Net Asset Presentation (continued)***

*Temporarily restricted* – represent amounts restricted by donors for specific activities of the Partnership or to be used at some future date. The Partnership records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities a net assets released from restrictions.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase. At times cash deposits may exceed the federally insured limits of the financial institution and expose the Partnership to credit risk. The Partnership believes it is not exposed to any significant risk of loss on these funds.

#### ***Investments***

The Partnership has two short term treasury bills with six month terms, which are valued at cost in statement of financial position.

#### ***Allowance for Uncollectible Receivables***

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specific known troubled accounts. Management has concluded that no allowance is necessary at June 30, 2018.

#### ***Recognition of Pledges***

The Partnership discounts pledges that are expected to be collected beyond one year using a risk adjusted rate to estimate present value. The discounted value is amortized over the term of the pledge and is recorded within contribution revenue in the statement of activities.

U.S. GAAP requires that unconditional promises to give be recorded as revenue, discounted for future cash flows, at the time the pledge is made. As such, the entire pledge is recognized as income in one year and the receivable reduced as the pledge is collected. If the pledge is restricted by the donor, it is recorded as income in temporarily restricted net assets. As the time or purpose restriction is satisfied, temporarily restricted net assets are released and transferred to unrestricted net assets to offset the costs incurred for the restricted purpose. The effect of this accounting treatment for pledges and net asset transfer is to have a net asset increase (surplus) in one year followed by a net asset decrease (loss) in the subsequent years, even though the funds are being received or used in subsequent years.

## The Partnership for the Homeless, Inc.

Notes to Financial Statements

June 30, 2018

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Client Custodial Funds***

Funds are held by the Partnership on behalf of clients. Such funds represent amounts received by clients and other clients' funds deposited with the Partnership for safekeeping. These funds are disbursed by the Partnership at the request of, or on behalf of, clients for their personal use.

#### ***Property, Plant and Equipment***

The Partnership follows the practice of capitalizing all expenditures for property, plant and equipment with a cost in excess of \$1,000 and a useful life of at least five years. Property, plant and equipment are recorded at cost and depreciation is recognized using the straight-line method over the estimated useful lives of such assets using a half-year convention in the year of acquisition. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease, including renewal periods which are considered to be reasonably assured. The estimated useful lives are as follows:

Leasehold improvements	10 years
Furniture, fixtures and equipment	5 years

The Partnership's governmental contracts generally provide that title to depreciable assets remain with the government agency and, accordingly, such equipment purchases are charged to expense.

#### ***Revenue***

Contract program revenue is accrued when earned to the extent that expenses related to that contract program have been incurred. Any unexpended funds are considered refundable advances and reported as contract program advances payable. Revenue earned on these contracts for expenses incurred is subject to audit by the contract agency.

#### ***In-Kind Contributions***

Contributions of donated services that require specialized skills, provided by individual possessing those skills, and that would typically need to be purchased if not provided by donation, and donated goods, are recorded at their fair values in the period received.

#### ***Operating Measure***

The statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities consists of transfers of net assets between the Partnership and the Corporation.

## The Partnership for the Homeless, Inc.

Notes to Financial Statements  
June 30, 2018

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Functional Expense Allocation***

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management either in accordance with grant provisions or by use of another equitable basis.

#### ***Accounting for Uncertainty in Income Taxes***

The Partnership recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Partnership had no uncertain tax positions that would require financial statement recognition or disclosure. The Partnership is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2015.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 12, 2018.

### 3. Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30, 2018:

Leasehold improvements	\$	125,205
Furniture, fixtures and equipment		<u>54,504</u>
		179,709
Accumulated depreciation		<u>(150,122)</u>
	\$	<u>29,587</u>

### 4. Temporarily Restricted Net Assets

Temporarily restricted net asset transactions are as follows for the year ended June 30, 2018:

<u>Program/Purpose</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Net Assets Released</u>	<u>Balance June 30, 2018</u>
The Family Resource Center	\$ -	\$ 60,000	\$ 60,000	\$ -
Positive Step	-	107,500	44,522	62,978
Timing	<u>334,000</u>	<u>-</u>	<u>334,000</u>	<u>-</u>
	<u>\$ 334,000</u>	<u>\$ 167,500</u>	<u>\$ 438,522</u>	<u>\$ 62,978</u>

## The Partnership for the Homeless, Inc.

Notes to Financial Statements  
June 30, 2018

### 5. Commitments and Contingencies

The Partnership leases administrative office space and space for programs at various locations. Future minimum lease payments for the years ending June 30 are payable as follows at June 30, 2018:

2019	\$ 237,845
2020	239,974
2021	<u>223,534</u>
	<u>\$ 701,353</u>

The Partnership has a security deposit for leased space of \$20,863 at June 30, 2018.

### 6. Retirement Benefit

The Partnership participates in a tax sheltered annuity defined contribution plan for all employees who have completed one year of service. The Partnership contributes two percent (2%) of annual salary for eligible participants. Expense for the year ended June 30, 2018 was \$17,180.

### 7. Concentration of Credit Risk

The Partnership receives funding from various governmental sources to operate its programs. Receivables from these governmental agencies totaled \$438,647 at June 30, 2018. Collection of these receivables is expected in the normal course of business.

The percentage of receivables from governmental agencies at June 30, 2018 is as follows:

State	42%
Local	58%

### 8. Contributed Services

The Partnership receives contributions of professional services from the general public and businesses. The professional services received relate to legal services estimated to be \$736,994 for the year ended June 30, 2018.

### 9. Economic Dependency

The Partnership receives a substantial portion of its revenue from contracts negotiated with various governmental agencies. The Partnership is economically dependent on these revenues to provide service and continue operations.

The percentage of revenue from governmental agencies for the year ended June 30, 2018 is as follows:

Federal	12%
State	58%
Local	30%

**The Partnership for the Homeless, Inc.**

Notes to Financial Statements  
June 30, 2018

**10. Transactions with Affiliate**

The Partnership leases space from the Corporation under a lease which expires on June 30, 2021. Rent charged for the year ended June 30, 2018 was \$128,730. The future minimum lease payments are disclosed in note 5.

In 2018, the Corporation made a net asset transfer of \$1,500,000 to the Partnership.

**11. Board Designated Fund**

A board designated fund has been established to provide ongoing financing for initiatives set forth in the Partnership's strategic plan, but can be used for operating expenses as needed.

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