

**BAYONNE ECONOMIC OPPORTUNITY
FOUNDATION**

**Financial Statements
January 31, 2018 and 2017
(With Reporting Requirements
for Uniform Guidance)**

The report accompanying these financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees of
Bayonne Economic Opportunity Foundation
Bayonne, New Jersey**

Report on the Financial Statements

We have audited the accompanying financial statements of Bayonne Economic Opportunity Foundation (a nonprofit organization), which comprise the statements of financial position as of January 31, 2018 and 2017, and the related statements of activities, 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

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 audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Bayonne Economic Opportunity Foundation as of January 31, 2018 and 2017, 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 an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2018, on our consideration of Bayonne Economic Opportunity Foundation'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 Bayonne Economic Opportunity Foundation's internal control over financial reporting and compliance.



Livingston, New Jersey
June 13, 2018

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statements of Financial Position
January 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 78,003	\$ 135,485
Grants receivable	169,147	169,442
Other receivables	20,000	25,000
Prepaid expenses	18,581	17,840
Property and equipment - net	410,769	363,485
Total Assets	<u>\$ 696,500</u>	<u>\$ 711,252</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 235,524	\$ 181,394
Deferred income	-	22,500
Total Liabilities	<u>235,524</u>	<u>203,894</u>
Net Assets		
Net assets without donor restrictions		
Undesignated	50,207	143,873
Invested in property and equipment, net of related debt	410,769	363,485
	<u>460,976</u>	<u>507,358</u>
Net assets with donor restrictions	-	-
Total Net Assets	<u>460,976</u>	<u>507,358</u>
Total Liabilities and Net Assets	<u>\$ 696,500</u>	<u>\$ 711,252</u>

See accompanying notes.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Statements of Activities

For the Years Ended January 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Grant income	\$ -	\$ 2,937,064	\$ 2,937,064	\$ -	\$ 3,022,521	\$ 3,022,521
Contributions	13,193	-	13,193	63,764	-	63,764
In-kind income	-	1,058,161	1,058,161	-	1,110,100	1,110,100
Program income	359,243	-	359,243	395,501	-	395,501
Special event revenue	72,149	-	72,149	58,675	-	58,675
Less: Direct benefit cost	(52,150)	-	(52,150)	(73,384)	-	(73,384)
Other income	349	-	349	522	-	522
Net assets released from restrictions - satisfaction of program restrictions	3,995,225	(3,995,225)	-	4,132,621	(4,132,621)	-
Total Revenues	4,388,009	-	4,388,009	4,577,699	-	4,577,699
Expenses						
Program services						
Head start	1,867,127	-	1,867,127	1,956,253	-	1,956,253
Weatherization / energy assistance	128,756	-	128,756	194,918	-	194,918
Hurricane Sandy support services	-	-	-	93,513	-	93,513
Community service	1,377,262	-	1,377,262	1,324,608	-	1,324,608
Total Program Services	3,373,145	-	3,373,145	3,569,292	-	3,569,292
Supporting services						
Management and general	1,034,122	-	1,034,122	1,211,716	-	1,211,716
Fundraising	27,124	-	27,124	34,827	-	34,827
Total Supporting Services	1,061,246	-	1,061,246	1,246,543	-	1,246,543
Total Expenses	4,434,391	-	4,434,391	4,815,835	-	4,815,835
Changes in Net Assets	(46,382)	-	(46,382)	(238,136)	-	(238,136)
Net Assets - Beginning of Years	507,358	-	507,358	745,494	-	745,494
Net Assets - End of Years	\$ 460,976	\$ -	\$ 460,976	\$ 507,358	\$ -	\$ 507,358

See accompanying notes.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statement of Functional Expenses
For the Year Ended January 31, 2018**

	Program Services					Supporting Services			Total Expenses
	Head Start	Weatherization / Energy Assistance	Hurricane Sandy Support Services	Community Service	Total	Management & General	Fundraising	Total	
Salaries and wages	\$ 713,379	\$ 82,989	\$ -	\$ 296,145	\$ 1,092,513	\$ 609,406	\$ 19,762	\$ 629,168	\$ 1,721,681
Fringe benefits and payroll taxes	223,674	31,835	-	92,431	347,940	118,642	7,078	125,720	473,660
Materials, supplies and consumables	80,764	1,305	-	232,148	314,217	6,233	239	6,472	320,689
Subcontracted labor	3,138	-	-	-	3,138	-	-	-	3,138
Occupancy	57,171	338	-	414	57,923	15,136	-	15,136	73,059
In-kind costs	470,425	-	-	464,677	935,102	123,059	-	123,059	1,058,161
Other	215,426	8,684	-	240,843	464,953	72,012	-	72,012	536,965
Insurance	19,606	391	-	19,127	39,124	17,872	-	17,872	56,996
Consultants and professional fees	67,019	2,969	-	19,740	89,728	70,173	33	70,206	159,934
Travel	512	245	-	46	803	1,589	-	1,589	2,392
Depreciation	16,013	-	-	11,691	27,704	-	12	12	27,716
Total Expenses	\$ 1,867,127	\$ 128,756	\$ -	\$ 1,377,262	\$ 3,373,145	\$ 1,034,122	\$ 27,124	\$ 1,061,246	\$ 4,434,391

See accompanying notes.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statement of Functional Expenses
For the Year Ended January 31, 2017**

	Program Services					Supporting Services			Total Expenses
	Head Start	Weatherization / Energy Assistance	Hurricane Sandy Support Services	Community Service	Total	Management & General	Fundraising	Total	
Salaries and wages	\$ 719,804	\$ 68,436	\$ 4,783	\$ 206,919	\$ 999,942	\$ 717,724	\$ 26,416	\$ 744,140	\$ 1,744,082
Fringe benefits and payroll taxes	225,931	31,669	468	97,723	355,791	118,248	1,666	119,914	475,705
Materials, supplies and consumables	174,371	43,742	26,393	257,889	502,395	19,637	837	20,474	522,869
Subcontracted labor	1,275	30,946	61,869	275	94,365	-	-	-	94,365
Occupancy	90,985	7,922	-	26,710	125,617	11,385	-	11,385	137,002
In-kind costs	586,773	-	-	403,247	990,020	120,080	-	120,080	1,110,100
Other	67,652	990	-	279,008	347,650	122,089	4,871	126,960	474,610
Insurance	16,087	-	-	24,883	40,970	869	-	869	41,839
Consultants and professional fees	47,243	8,239	-	26,116	81,598	94,142	345	94,487	176,085
Travel	4,072	725	-	1,838	6,635	839	692	1,531	8,166
Depreciation	22,060	2,249	-	-	24,309	6,703	-	6,703	31,012
Total Expenses	<u>\$ 1,956,253</u>	<u>\$ 194,918</u>	<u>\$ 93,513</u>	<u>\$ 1,324,608</u>	<u>\$ 3,569,292</u>	<u>\$ 1,211,716</u>	<u>\$ 34,827</u>	<u>\$ 1,246,543</u>	<u>\$ 4,815,835</u>

See accompanying notes.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statements of Cash Flows
For the Years Ended January 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (46,382)	\$ (238,136)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	27,716	31,012
Donated vehicle included in contributions	(75,000)	-
Decrease (Increase) in Operating Assets		
Grants receivables	295	125,363
Miscellaneous receivables	5,000	100,000
Prepaid expenses	(741)	(154)
Increase (Decrease) in Liabilities		
Accounts payable and accrued expenses	54,130	5,787
Deferred income	(22,500)	14,035
Net Cash (Used) Provided by Operating Activities	<u>(57,482)</u>	<u>37,907</u>
Net Change in Cash	(57,482)	37,907
Cash - Beginning of Years	<u>135,485</u>	<u>97,578</u>
Cash - End of Years	<u>\$ 78,003</u>	<u>\$ 135,485</u>

See accompanying notes.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2018 and 2017

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Organization and Nature of Activities

Bayonne Economic Opportunity Foundation (“B.E.O.F.”), incorporated as a not-for-profit in 1965, under the laws of the State of New Jersey. B.E.O.F. was established to assist low income individuals in the Bayonne, New Jersey area. The Organization provides many services for individuals in need, including a Head Start Program for preschool children, local transportation, meals for senior citizens, meals on wheels, counseling services, weatherization assistance, as well as other programs to serve the poor.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, these financial statements reflect all significant receivables, payables and other liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, depreciation expense, and contingencies. Actual results could differ from those estimates.

Income Taxes

The Organization is 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 reflected in the accompanying financial statements.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold for the year ended January 31, 2018. The Organization’s Forms 990, *Return of Organization Exempt from Income Tax*, for the fiscal years ended January 31, 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2018 and 2017

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Cont.)

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor 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 activities as net assets released from restrictions. Contributions with no restrictions are recorded as unrestricted net assets when received. Contributions of securities or real property are recorded at fair market value at the date of contribution.

Federal, State and Other Financial Assistance

The Organization records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. The Organization accounts for grant revenue as exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Amounts that have been received but not earned are included in deferred revenue.

Donated Services and Inkind Contributions

B.E.O.F. receives donated space, professional and education services, as well as miscellaneous items which are recorded at estimated fair value. In addition, B.E.O.F. has many individuals who volunteer their time and perform a variety of tasks that assist the Organization in their community service programs but do not meet the criteria for recognition as contributed services. For the years ended January 31, 2018 and 2017, the Organization received 12,794 and 12,777 volunteer hours, with a fair market value of approximately \$111,000 and \$116,000, respectively.

Deferred Revenue

Deferred revenue is recognized when cash advances exceed revenues earned against such advances.

Property and Equipment and Depreciation

Property and equipment, including those under the Head Start program, are capitalized at cost if purchased, fair value if donated, individually or in the aggregate of \$5,000. The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used or disposed.

Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of assets as follows:

Buildings and Improvements	40 years
Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years

Depreciation expense for the years ended January 31, 2018 and 2017 was \$27,716 and \$31,012, respectively.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statements of functional expense present the natural classification detail of expense by function. Accordingly, certain costs are allocated among the programs and supporting services benefited.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2018 and 2017

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Cont.)

Fair Value of Financial Instruments

Financial instruments include cash, grants receivable, accounts payable and accrued expenses. The amounts reported for financial instruments are considered to be reasonable approximations of their fair values. The fair value estimates presented herein were based on market information available to management. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended January 31, 2018 and 2017, the Organization incurred \$10,488 and \$11,464, respectively in advertising costs.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 2 – Liquidity and Availability

The B.E.O.F. has \$267,150 of financial assets available within one year of the balance sheet date consisting of cash of \$78,003 and receivables of \$189,147. None of these financial assets are subject to donor or other contractual restrictions that would make them unavailable for general expenditure within one year of the balance sheet date. The B.E.O.F. receives significant grants and contributions restricted by donors, and considers grants and contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization targets a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity on a monthly basis, and monitors its reserves annually. The agency is expanding its vision with promising new opportunities and continues to seek new grants to provide exceptional services and needs for the community.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Notes to Financial Statements
January 31, 2018 and 2017**

Note 3 - Grants Receivable

Grants receivable by program at January 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Head start	\$ 45,948	\$ 68,126
Weatherization / energy assistance		
Weatherization Assistance - LIHEAP	15,714	-
Low-income home energy assistance	8,678	-
Community service		
Homeless food and shelter	4,496	22,075
Fair housing	7,609	5,039
Nutrition program	37,931	37,931
Residential maintenance	710	200
Residential maintenance - Sandy relief	-	19,870
Transportation	11,715	4,547
Management & general		
Community services block grant	<u>36,346</u>	<u>11,654</u>
Total	<u>\$ 169,147</u>	<u>\$ 169,442</u>

Note 4 – Other Receivables

Other receivables at January 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
City of Bayonne - administrative contract	\$ <u>20,000</u>	\$ <u>25,000</u>

Note 5 – Property and Equipment

Property and equipment at January 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 15,119	\$ 15,119
Building and improvements	559,542	559,542
Machinery and equipment	824,843	824,843
Office equipment and computers	86,935	86,935
Vehicles	<u>354,078</u>	<u>279,078</u>
	1,840,517	1,765,517
Less: accumulated depreciation	<u>(1,429,748)</u>	<u>(1,402,032)</u>
Net	<u>\$ 410,769</u>	<u>\$ 363,485</u>

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2018 and 2017

Note 6 – Deferred Revenue

Deferred revenue by program at January 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Management & general		
Community development block grant	\$ -	\$ 22,500
Total	<u>\$ -</u>	<u>\$ 22,500</u>

Note 7 – Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, travel, depreciation, insurance, materials, supplies and other, which are allocated on the basis of estimates of time and effort.

Note 8 - Operating Leases

A 99-year lease with the City of Bayonne was executed on May 10, 1999 for use of the building and land of the former City Hall Annex located at 21 West 8th Street, Bayonne, New Jersey. Lease payments in the amount of \$1 are payable on June 1 of each year. These premises are occupied by the Head Start Program of the Organization. This lease can be terminated upon six months' written notice to the landlord, or in the event the Organization no longer legally exists.

Note 9 – In-Kind Contributions

B.E.O.F. received donated space, professional and education services, and other miscellaneous items utilized in the Head Start and community service programs. The in-kind contributions are recorded at the estimated fair value. Total in-kind donations for the year ended January 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Rent	\$ 664,000	\$ 664,000
Education and professional services	269,647	355,925
Gifts, clothes and other items	<u>124,514</u>	<u>90,175</u>
Total	<u>\$ 1,058,161</u>	<u>\$ 1,110,100</u>

Note 10 – Concentrations of Credit Risk

Financial instruments that potentially subject B.E.O.F. to concentrations of credit risk consist principally of temporary cash investments in banks in excess of the U. S. Federal Deposit Insurance Corporation (FDIC) insured \$250,000 limit and all investments in money market and government reserve funds. Periodically, the balance of cash maintained at the financial institution may be in excess of the FDIC insurance limit. B.E.O.F. had no uninsured bank balances at January 31, 2018 and 2017, respectively.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2018 and 2017

Note 11 – Retirement Plans

The Company maintains a 401(k) profit sharing plan for its employees under the provisions of the Internal Revenue Code Section 401(k). The employees may elect to defer amounts according to the maximum allowed under Federal guidelines. The plan allows the Organization to make discretionary contributions which are determined annually by the Board of Trustees. There were no discretionary contributions charged to operations under the plan for the years ended January 31, 2018 and 2017.

Note 12 – Related Party Transactions

As disclosed in Note 8, the Organization leases from the City of Bayonne (“City”) facilities for its operations. This transaction was not consummated on terms equivalent to those that prevail in arm’s-length transactions. The Organization pays the City of Bayonne \$1 per year for use of the facilities. The estimated fair market value of the use of the facilities is approximately \$347,000 and is included in the financial statements as an in-kind contribution. The City provided additional services for transportation Head Start programs, which are included in the financial statements as an in-kind contribution. The City has a shared service agreement with the Organization for vehicles, the estimated fair market value of the shared service agreement is \$15,000.

In addition, beginning September 1, 2015, the Organization entered into an agreement with the City of Bayonne to provide administrative services in connection with administering the City’s CDBG program. Revenues in the amount of \$270,000 and \$300,000 were recorded for the years ended January 31, 2018 and 2017, respectively. At January 31, 2018 and 2017, receivables for the agreement were \$20,000 and \$25,000, respectively.

On March 15, 2017, the City of Bayonne purchased property at 15-17 Howard Place and 237-249 Avenue for use of the Bayonne Economic Opportunity Foundation. The cost of the purchase of the property will be offset by the purchase, sale and redevelopment of three properties currently in is use by the BEOF. Plans for renovation and grants to cover the cost of the renovation are in the process and expected to be begin in the summer of 2018.

Note 13 – Tax Filing Compliance

B.E.O.F. was in compliance with applicable federal and state regulations as of January 31, 2018 and 2017 relative to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.

Note 14 – Commitments and Contingencies

The Bayonne Economic Opportunity Foundation receives a substantial amount of its support from federal and state grants. A significant reduction in the level of this support may have an effect on the Bayonne Economic Opportunity Foundation programs.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs due to noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization is involved in various litigation in the normal course of business. The Organization’s legal advisors are defending B.E.O.F.’s positions. In the opinion of management, any losses that may occur would not be material to the financial statements.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements
January 31, 2018 and 2017

Note 15– Evaluation of Subsequent Events

The Organization has evaluated events subsequent to the balance sheet date for potential recognition or disclosure through June 13, 2018, the date which the financial statements were available to be issued.

**SCHEDULES OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JANUARY 31, 2018**

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Expenditures of Federal Awards
For the Year Ended January 31, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through ID Number	Grant Period	Expenditures
US Department of Agriculture				
Child and Adult Care Food Program	10.558	17-106	10/1/16 - 9/30/17	\$ 61,696
Child and Adult Care Food Program	10.558	17-106	10/1/17 - 9/30/18	51,835
Total US Department of Agriculture				<u>113,531</u>
US Department of Health and Human Services				
Head Start Program	93.600	02CH010323-02	2/1/17 - 1/31/18	<u>1,491,607</u>
Passed-through State of NJ Department of Community Affairs				
Low-Income Home Energy Assistance (LIHEAP)	93.568	2017-05131-0136	10/1/16 - 9/30/17	81,413
Low-Income Home Energy Assistance (LIHEAP)	93.568	2018-05131-0059	10/1/17 - 9/30/18	46,472
				<u>127,885</u>
CSBG - Non-Discretionary	96.569	2017-05235-0261	10/1/16 - 9/30/17	111,207
CSBG - Non-Discretionary	93.569	2018-05235-0174	10/1/17 - 9/30/18	77,791
Subtotal Passed-through State of NJ Department of Community Affairs				<u>316,883</u>
Passed-through County of Hudson Department of Health and Human Services				
City of Bayonne, New Jersey				
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	17-036	1/1/17 - 12/31/17	427,239
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	18-040	1/1/18 - 12/31/18	37,931
Subtotal Passed-through County of Hudson Dept of Health and Human Services				<u>465,170</u>
Total US Department of Health and Human Services				<u>2,273,660</u>

See notes to schedules of expenditures of federal awards and state financial assistance.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended January 31, 2018**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through ID Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
US Department of Homeland Security				
Passed-through United Way of Hudson County, New Jersey Emergency Food and Shelter National Program	97.024	33-597800-001	12/1/15 - 12/31/17	\$ <u>4,434</u>
US Department of Housing and Urban Development				
Passed-through City of Bayonne, New Jersey Community Development Block Grant (CDBG) Senior Citizen Transportation Program Insurance Costs	14.220	CY16-070	9/1/16 - 8/31/17	<u>3,792</u>
Salaries and Fringe Benefits of Bus Drivers	14.219	CY16-921	9/1/16 - 8/31/17	23,419
Salaries and Fringe Benefits of Bus Drivers	14.219	CY17-939	9/1/17 - 8/31/18	<u>19,501</u>
				<u>42,920</u>
Fair Housing Counseling Services	14.218	CY16-921	9/1/16 - 8/31/17	35,156
Fair Housing Counseling Services	14.218	CY17-951	9/1/17 - 8/31/178	<u>28,054</u>
				<u>63,210</u>
Total US Department of Housing and Urban Development				<u>109,922</u>
Total Federal Awards				\$ <u><u>2,501,547</u></u>

See notes to schedules of expenditures of federal awards and state financial assistance.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Expenditures of State Financial Assistance
For the Year Ended January 31, 2018**

State Grantor/Pass-through Grantor/Program Title	Grant or State Project Number	Grant Period	Expenditures	Cumulative Expenditures
County of Hudson Department of Health and Human Services				
Social Services Block Grant				
Residential Maintenance	Project 419	1/1/17 - 12/31/17	\$ 710	\$ 710
Social Services for the Homeless - Prevention	SH17009-BE	7/1/16 - 6/30/17	40,693	50,077
Social Services for the Homeless - Prevention	SH18009-BE	7/1/17 - 6/30/18	45,423	45,423
			86,116	95,500
Total County of Hudson Department of Health and Human Services			86,826	96,210
State of New Jersey Department of Community Affairs				
Universal Service Fund (USF)	2017-05133-0054	7/1/16 - 6/30/17	22,304	61,967
Universal Service Fund (USF)	2018-05133-0017	7/1/17 - 6/30/18	46,485	46,485
			68,789	108,452
NJ Transit - Enhanced Mobility for Seniors	NJ-2016-017-00	1/1/17 - 12/31/18	80,747	80,747
Prevention of Homelessness (HPP)	2017-02150-0101	11/1/16 - 10/31/17	199,155	250,855
Total State of New Jersey Department of Community Affairs			348,691	440,054
Total State Financial Assistance			\$ 435,517	\$ 536,264

See notes to schedules of expenditures of federal awards and state financial assistance.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Schedules of Federal Awards and State Financial Assistance For the Year Ended January 31, 2018

Note 1 – General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal and state awards programs of Bayonne Economic Opportunity Foundation. All federal financial awards received directly from federal agencies including awards passed through other government agencies, are included on the schedule of federal financial awards. All state awards received directly from state agencies including awards passed through other government agencies, are included on the schedule of state financial assistance.

Note 2 – Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08-OMB *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Bayonne Economic Opportunity Foundation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Relationship to the Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in Bayonne Economic Opportunity Foundation's financial statements.

Note 4 – Relationship to Federal and State Financial Reports

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

Note 5 – Subrecipients

There were no subrecipients for any grant during the fiscal year 2018.



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

**The Board of Trustees
Bayonne Economic Opportunity Foundation
Bayonne, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bayonne Economic Opportunity Foundation (a non-profit organization) which comprise the statement of financial position as, January 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bayonne Economic Opportunity Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bayonne Economic Opportunity Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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 Bayonne Economic Opportunity Foundation'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Spire Group, PC

Livingston, New Jersey
June 13, 2018



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**The Board of Trustees
Bayonne Economic Opportunity Foundation
Bayonne, New Jersey**

Report on Compliance for Each Major Federal Program

We have audited Bayonne Economic Opportunity Foundation Organization's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Bayonne Economic Opportunity Foundation's major federal program for the year ended January 31, 2018. Bayonne Economic Opportunity Foundation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Bayonne Economic Opportunity Foundation's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about Bayonne Economic Opportunity Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Bayonne Economic Opportunity Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, Bayonne Economic Opportunity Foundation's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended January 31, 2018.

Report on Internal Control Over Compliance

Management of Bayonne Economic Opportunity Foundation 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 Bayonne Economic Opportunity Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Bayonne Economic Opportunity Foundation'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 federal 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 federal 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 federal 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Spire Group, PC

Livingston, New Jersey
June 13, 2018

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2018**

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Findings and Questioned Costs
For the Year Ended January 31, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Significant deficiencies identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

- Dollar threshold used to determine Type A programs \$750,000
- Auditee qualified as low-risk auditee? X Yes No
- Type of auditor’s report on compliance for major programs

Unmodified

Internal control over compliance:

- Material weakness (es) identified? Yes X No
- Significant deficiencies identified? Yes X No

Any audit findings that are required to be reported in accordance with CFR Section 200.516(a) of the Uniform Guidance? Yes X No

Identification of major programs:

CFDA Number (s)

93.600

Name of Federal Program

U.S. Department of Health and Human Services:
Head Start

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended January 31, 2018**

Section II – Schedule of Financial Statement Findings

This section identified the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with 2 CFR section 200.515(d)(2) of Uniform Guidance and Chapter 4 of *Government Auditing Standards*.

NONE

Section III – Federal Awards Findings and Questioned Costs

This section identifies audit findings required to be reported by 2 CFR 200 Section 516(a) of Uniform Guidance.

NONE

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Summary Schedule of Prior Audit Findings
For the Year Ended January 31, 2018**

This section identifies the status of prior year audit findings related to the financial statements and federal awards that are required to be reported in accordance with Uniform Guidance (2 CFR section 200.511(a)) and Chapter 4 of *Government Auditing Standards*.

NONE