

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

BAYONNE ECONOMIC OPPORTUNITY
FOUNDATION

January 31, 2019 and 2018



BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

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July 9, 2019

Board of Trustees
Bayonne Economic Opportunity Foundation
Bayonne, New Jersey

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Bayonne Economic Opportunity Foundation (a nonprofit organization), which comprise the statement of financial position as of January 31, 2019, 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.

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 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 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 2019 financial statements referred to above present fairly, in all material respects, the financial position of Bayonne Economic Opportunity Foundation as of January 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental 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 July 9, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bayonne Economic Opportunity Foundation's 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.

Prior Period Financial Statements

The financial statements as of January 31, 2018, were audited by Spire Group, PC, who merged with Hill, Barth & King, LLC as of December 1, 2018, and whose report dated June 13, 2018, expressed an unmodified opinion on those statements.

Hill, Barth & King LLC

Certified Public Accountants

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statements of Financial Position
January 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash	\$ 22,581	\$ 78,003
Grants receivable	163,219	169,147
Other receivables	-	20,000
Prepaid expenses	18,577	18,581
Property and equipment - net	<u>557,252</u>	<u>410,769</u>
Total Assets	<u>\$ 761,629</u>	<u>\$ 696,500</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ <u>167,797</u>	\$ <u>235,524</u>
Net Assets		
Without donor restrictions	527,775	460,976
With donor restrictions	<u>66,057</u>	<u>-</u>
Total Net Assets	<u>593,832</u>	<u>460,976</u>
Total Liabilities and Net Assets	<u>\$ 761,629</u>	<u>\$ 696,500</u>

See accompanying notes to financial statements

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statements of Activities
Years Ended January 31, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Grant income	\$ -	\$ 3,199,509	\$ 3,199,509	\$ -	\$ 2,937,064	\$ 2,937,064
Contributions	28,471	22,458	50,929	13,193	-	13,193
In-kind income	-	1,023,174	1,023,174	-	947,399	947,399
Program income	292,261	-	292,261	359,243	-	359,243
Sponsorship income	30,700	-	30,700	-	-	-
Special event revenue	21,385	-	21,385	72,149	-	72,149
Less: Direct benefit cost	(25,932)	-	(25,932)	(52,150)	-	(52,150)
Other income	33,833	-	33,833	349	-	349
Net assets released from restrictions - satisfaction of program restrictions	4,179,084	(4,179,084)	-	3,884,463	(3,884,463)	-
Total Revenues	4,559,802	66,057	4,625,859	4,277,247	-	4,277,247
Expenses						
Program services						
Head Start	2,083,189	-	2,083,189	1,858,199	-	1,858,199
Weatherization / energy assistance	134,320	-	134,320	128,756	-	128,756
Community service	1,079,056	-	1,079,056	1,275,428	-	1,275,428
Total Program Services	3,296,565	-	3,296,565	3,262,383	-	3,262,383
Supporting services						
Management and general	1,109,394	-	1,109,394	1,034,122	-	1,034,122
Fundraising	87,044	-	87,044	27,124	-	27,124
Total Supporting Services	1,196,438	-	1,196,438	1,061,246	-	1,061,246
Total Expenses	4,493,003	-	4,493,003	4,323,629	-	4,323,629
Changes in Net Assets	66,799	66,057	132,856	(46,382)	-	(46,382)
Net Assets - Beginning of Year	460,976	-	460,976	507,358	-	507,358
Net Assets - End of Year	\$ 527,775	\$ 66,057	\$ 593,832	\$ 460,976	\$ -	\$ 460,976

See accompanying notes to financial statements

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Statements of Functional Expenses
Year Ended January 31, 2019**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Head Start</u>	<u>Weatherization / Energy Assistance</u>	<u>Community Service</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and wages	\$ 698,802	\$ 85,777	\$ 265,594	\$ 1,050,173	\$ 567,917	\$ 68,660	\$ 636,577	\$ 1,686,750
Fringe benefits and payroll taxes	282,751	21,862	96,419	401,032	165,563	17,165	182,728	583,760
Materials, supplies and consumables	90,003	1,135	26,912	118,050	7,870	-	7,870	125,920
Occupancy	250,974	1,680	4,426	257,080	29,776	-	29,776	286,856
In-kind costs	479,007	-	369,635	848,642	174,532	-	174,532	1,023,174
Other	96,110	19,893	261,035	377,038	67,024	86	67,110	444,148
Insurance	40,916	1,396	25,066	67,378	2,931	968	3,899	71,277
Consultants and professional fees	128,212	2,464	14,878	145,554	87,056	-	87,056	232,610
Travel	401	113	91	605	21	165	186	791
Depreciation	16,013	-	15,000	31,013	6,704	-	6,704	37,717
Subtotal	2,083,189	134,320	1,079,056	3,296,565	1,109,394	87,044	1,196,438	4,493,003
Special event expenses	-	-	-	-	-	25,932	25,932	25,932
Total Functional Expenses	\$ 2,083,189	\$ 134,320	\$ 1,079,056	\$ 3,296,565	\$ 1,109,394	\$ 112,976	\$ 1,222,370	\$ 4,518,935

See accompanying notes to financial statements

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Statements of Functional Expenses (Continued)
Year Ended January 31, 2018

	Program Services				Supporting Services			Total Expenses
	Head Start	Weatherization / Energy Assistance	Community Service	Total	Management and 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	461,497	-	362,843	824,340	123,059	-	123,059	947,399
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
Subtotal	1,858,199	128,756	1,275,428	3,262,383	1,034,122	27,124	1,061,246	4,323,629
Special event expenses	-	-	-	-	-	52,150	52,150	52,150
Total Functional Expenses	\$ 1,858,199	\$ 128,756	\$ 1,275,428	\$ 3,262,383	\$ 1,034,122	\$ 79,274	\$ 1,113,396	\$ 4,375,779

See accompanying notes to financial statements

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION**Statements of Cash Flows
Years Ended January 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Changes in Net Assets	\$ 132,856	\$ (46,382)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	37,717	27,716
Donated vehicle included in contributions	-	(75,000)
(Increase) Decrease in Assets		
Grants receivable	5,928	295
Other receivables	20,000	5,000
Prepaid expenses	4	(741)
Increase (Decrease) in Liabilities		
Accounts payable and accrued expenses	(67,727)	54,130
Deferred income	-	(22,500)
Net Cash Provided by (Used in) Operating Activities	<u>128,778</u>	<u>(57,482)</u>
Cash Flows From Investing Activities		
Purchase of fixed assets	<u>(184,200)</u>	<u>-</u>
Net Changes in Cash	(55,422)	(57,482)
Cash - Beginning of Year	<u>78,003</u>	<u>135,485</u>
Cash - End of Year	<u>\$ 22,581</u>	<u>\$ 78,003</u>

See accompanying notes to financial statements

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements January 31, 2019 and 2018

Note 1 – 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. B.E.O.F. 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of B.E.O.F. 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 – Contributions restricted by donors are reported 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 or is satisfied, 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 and disclosures. Actual results could differ from those estimates.

Income Taxes

B.E.O.F. 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.

Public Support and Revenue

Grants and other contributions of cash and other assets are reported as net assets with or without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with no restrictions are recorded as net assets without donor restrictions when received. Contributions of securities or real property are recorded at fair market value at the date of contribution.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements (Continued) January 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Federal, State and Other Financial Assistance

B.E.O.F. records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. B.E.O.F. accounts for grant revenue as exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Donated Services and In-Kind 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 B.E.O.F. in their community service programs but do not meet the criteria for recognition as contributed services. For the years ended January 31, 2019 and 2018, B.E.O.F. received 14,182 and 12,794 volunteer hours, with a fair market value of \$124,049 and \$110,762, respectively.

Deferred Revenue

Deferred revenue is recognized when cash advances exceed revenues earned against such advances. B.E.O.F. had no deferred revenue as of January 31, 2019 and 2018.

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. B.E.O.F. reports gifts of land, buildings and equipment as net asset without donor restrictions 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, 2019 and 2018 was \$37,717 and \$27,716, respectively.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements 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.

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.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements (Continued)
January 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Reclassifications

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

Note 3 – Grants Receivable

Grants receivable by program at January 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Head Start	\$ 13,946	\$ 45,948
Weatherization / energy assistance		
Weatherization Assistance - LIHEAP	12,032	15,714
Low-income home energy assistance	4,793	8,678
Community service		
Homeless food and shelter	1,829	4,496
Fair housing	-	7,609
Nutrition program	47,931	37,931
Residential maintenance	195	710
Homelessness prevention	5,618	-
Transportation	-	11,715
Management and general		
Community services block grant	<u>76,875</u>	<u>36,346</u>
Totals	<u>\$ 163,219</u>	<u>\$ 169,147</u>

Note 4 – Other Receivables

Other receivables at January 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
City of Bayonne - administrative contract	<u>\$ -</u>	<u>\$ 20,000</u>

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements (Continued) January 31, 2019 and 2018

Note 5 – Property and Equipment

Property and equipment at January 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</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	354,078	354,078
Construction in progress	184,200	-
	<u>2,024,717</u>	<u>1,840,517</u>
Less accumulated depreciation	<u>1,467,465</u>	<u>1,429,748</u>
Net property and equipment	<u>\$ 557,252</u>	<u>\$ 410,769</u>

Note 6 – Functional 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 7 – 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 contributions for the years ended January 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Rent	\$ 665,250	\$ 664,000
Education and professional services	168,037	158,885
Gifts, clothes and other items	189,887	124,514
Totals	<u>\$ 1,023,174</u>	<u>\$ 947,399</u>

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements (Continued) January 31, 2019 and 2018

Note 8 – 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, 2019 and 2018.

Note 9 – Retirement Plans

B.E.O.F. 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 B.E.O.F. 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, 2019 and 2018.

Note 10 – Related Party Transactions

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 B.E.O.F. This lease can be terminated upon six months' written notice to the landlord, or in the event B.E.O.F. no longer legally exists. This transaction was not consummated on terms equivalent to those that prevail in arm's-length transactions. 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 B.E.O.F. for vehicles, the estimated fair market value of the shared service agreement is \$15,000.

In addition, beginning September 1, 2015, B.E.O.F. 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 \$240,000 and \$270,000 were recorded for the years ended January 31, 2019 and 2018, respectively. At January 31, 2019 and 2018, receivables for the agreement were \$-0- and \$20,000, respectively.

On March 15, 2017, the City of Bayonne purchased property at 15-17 Howard Place and 237-249 Avenue for use by B.E.O.F. The cost of the purchase of the property will be offset by the purchase, sale and redevelopment of three properties currently in use by B.E.O.F. Plans for renovation and grants to cover the cost of the renovation are in the process.

Note 11 – Tax Filing Compliance

B.E.O.F. was in compliance with applicable federal and state regulations as of January 31, 2019 and 2018 relative to the remitting of employee withholding taxes and filing of payroll tax returns and all other annual regulatory information filings.

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Notes to Financial Statements (Continued) January 31, 2019 and 2018

Note 12 – Commitments and Contingencies

B.E.O.F. 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 B.E.O.F.'s 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 B.E.O.F. 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.

B.E.O.F. is involved in various litigation in the normal course of business. B.E.O.F.'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.

Note 13 – Liquidity and Availability

The following table reflects B.E.O.F.'s financial assets at January 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions. All the net assets with donor restrictions are expected to be used for general expenditure within one year.

	<u>2019</u>	<u>2018</u>
Cash	\$ 22,581	\$ 78,003
Grants receivable	163,219	169,147
	<u>185,800</u>	<u>247,150</u>
Net assets with donor restrictions	<u>(66,057)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 119,743</u>	<u>\$ 247,150</u>

Note 14 – Net Assets

Components of net assets at January 31 are as follows:

	<u>2019</u>	<u>2018</u>
Without donor restriction – Available for general operation of the Organization	<u>\$ 527,775</u>	<u>\$ 460,976</u>
With donor restriction:		
To be used for Nutrition	\$ 64,942	\$ -
Donations held for Bayonne fire victims	<u>1,115</u>	<u>-</u>
Total Net Assets with Donor Restriction	<u>\$ 66,057</u>	<u>\$ -</u>

Note 15 – Subsequent Events

B.E.O.F. has evaluated events subsequent to the statements of financial position date for potential recognition or disclosure through July 9, 2019, 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, 2019**

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Expenditures of Federal Awards
Year Ended January 31, 2019**

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	10/1/17 - 9/30/18	\$ 61,623
Child and Adult Care Food Program	10.558	17-106	9/1/18 - 8/31/19	38,045
Total US Department of Agriculture				99,668
US Department of Health and Human Services				
Head Start Program	93.600	02CH010323-03	2/1/18 - 1/31/19	1,757,794
Passed-through State of NJ Department of Community Affairs				
Low-Income Home Energy Assistance (LIHEAP)	93.568	2018-05131-0059	10/1/17 - 9/30/18	76,832
Low-Income Home Energy Assistance (LIHEAP)	93.568	2019-05131-0417	10/1/18 - 9/30/19	43,409
				120,241
CSBG - Non-Discretionary	93.569	2018-05235-0174	10/1/17 - 9/30/18	89,771
CSBG - Non-Discretionary	93.569	2019-05235-0485	10/1/18 - 9/30/19	76,875
				166,646
Subtotal Passed-through State of NJ Department of Community Affairs				286,887
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	CY18-040	1/1/18 - 12/31/18	427,239
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	CY19-043	1/1/19 - 12/31/19	37,931
Subtotal Passed-through County of Hudson Dept of Health and Human Services				465,170
Total US Department of Health and Human Services				2,509,851

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

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended January 31, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through ID Number	Grant Period	Expenditures
US Department of Homeland Security				
Passed-through United Way of Hudson County, New Jersey Emergency Food and Shelter National Program	97.024	33-597800-000	1/1/18 - 12/31/18	\$ <u>4,201</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	CY18-073	9/1/18 - 8/31/19	<u>1,954</u>
Salaries and Fringe Benefits of Bus Drivers	14.219	CY17-073	9/1/17 - 8/31/18	15,499
Salaries and Fringe Benefits of Bus Drivers	14.219	CY18-072	9/1/18 - 8/31/19	<u>29,578</u>
				<u>45,077</u>
Fair Housing Counseling Services	14.218	CY17-074	9/1/17 - 8/31/18	19,946
Fair Housing Counseling Services	14.218	CY18-071	9/1/18 - 8/31/19	<u>39,624</u>
				<u>59,570</u>
Total US Department of Housing and Urban Development				<u>106,601</u>
US Department of Transportation				
Passed-through New Jersey Transit Enhanced Mobility for Seniors and Persons with Disabilities	20.513	NJ-2016-017-00	1/1/17 - 12/31/18	<u>41,840</u>
Total Federal Awards				\$ <u>2,762,161</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
Year Ended January 31, 2019**

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 420	1/1/18 - 12/31/18	\$ 482	\$ 482
Social Services for the Homeless - Prevention	SH18000	1/1/18 - 12/31/18	64,720	64,720
Total County of Hudson Department of Health and Human Services			65,202	65,202
State of New Jersey Department of Community Affairs				
Universal Service Fund (USF)	2018-05133-0017	7/1/17 - 6/30/18	17,036	63,521
Universal Service Fund (USF)	2019-05133-0316	7/1/18 - 6/30/19	32,366	32,366
			49,402	95,887
Prevention of Homelessness (HPP)	2018-02150-0212	2/1/18 - 3/31/19	181,209	181,209
Total State of New Jersey Department of Community Affairs			230,611	277,096
Total State Financial Assistance			\$ 295,813	\$ 342,298

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 Year ended January 31, 2019

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 2019.



July 9, 2019

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

Independent Auditor's 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*

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 nonprofit organization), which comprise the statement of financial position as of January 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2019.

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 Bayonne Economic Opportunity Foundation'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.

Hill, Barth & King LLC

Certified Public Accountants



July 9, 2019

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

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance

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, 2019. 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 program.

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 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, 2019.

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 the 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 a 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.

Hill, Barth & King LLC

Certified Public Accountants

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2019**

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

**Schedule of Findings and Questioned Costs
Year Ended January 31, 2019**

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:

<u>CFDA Number (s)</u>	<u>Name of Federal Program</u>
93.600	U.S. Department of Health and Human Services: Head Start

BAYONNE ECONOMIC OPPORTUNITY FOUNDATION

Schedule of Findings and Questioned Costs (Continued)
Year Ended January 31, 2019

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
Year Ended January 31, 2019**

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