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New Hope Ministries, Inc.

Years Ended June 30, 2018 and 2017

New Hope Ministries, Inc.

Financial Statements

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
New Hope Ministries, Inc.
Dillsburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of New Hope Ministries, Inc., (a not-for-profit) which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's Responsibility

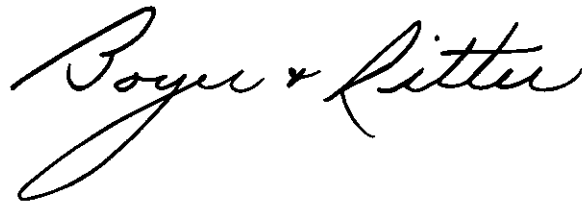
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 New Hope Ministries, Inc., as of June 30, 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.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

Camp Hill, Pennsylvania
December 10, 2018

New Hope Ministries, Inc.
STATEMENTS of FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 397,406	\$ 123,008
Cash - restricted	133,802	989,111
Investments - operating	129,318	146,233
Pledges receivable - United Way	162,436	168,910
Pledges receivable - capital campaign	1,500	326,260
Inventory	522,582	529,405
Prepaid expenses	<u>46,708</u>	<u>49,298</u>
Total Current Assets	1,393,752	2,332,225
PROPERTY and EQUIPMENT		
Land	309,000	309,000
Buildings	4,597,637	3,067,571
Furniture and equipment	303,085	221,392
Vehicles	216,412	177,088
Construction in progress	<u>-0-</u>	<u>402,131</u>
	5,426,134	4,177,182
Accumulated depreciation	<u>(725,502)</u>	<u>(637,003)</u>
Net Property and Equipment	4,700,632	3,540,179
OTHER ASSETS		
Pledge receivable - capital campaign (net)	5,317	7,613
Long-term investments	765,473	638,471
Charitable gift annuity	24,812	14,812
Money market accounts	<u>42,470</u>	<u>39,313</u>
Total Other Assets	838,072	700,209
TOTAL ASSETS	<u>\$ 6,932,456</u>	<u>\$ 6,572,613</u>

See notes to financial statements.

New Hope Ministries, Inc.
 STATEMENTS of FINANCIAL POSITION
 June 30, 2018 and 2017

	2018	2017
LIABILITIES and NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 410,026	\$ 114,993
Current portion of charitable gift annuity payable	2,273	1,333
Note payable - capital campaign	27,344	249,823
Accrued liability for compensated absences	<u>12,832</u>	<u>10,970</u>
Total Current Liabilities	452,475	377,119
LONG-TERM LIABILITIES		
Notes payable, net of current portion	116,046	-0-
Charitable gift annuities payable, net of current portion	<u>3,175</u>	<u>3,529</u>
Total Long Term Liabilities	119,221	3,529
TOTAL LIABILITIES	571,696	380,648
NET ASSETS		
Unrestricted:		
Undesignated	5,352,137	4,249,838
Board designated	<u>513,416</u>	<u>399,844</u>
Total unrestricted net assets	5,865,553	4,649,682
Temporarily restricted	<u>495,207</u>	<u>1,542,283</u>
TOTAL NET ASSETS	<u>6,360,760</u>	<u>6,191,965</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 6,932,456</u>	<u>\$ 6,572,613</u>

See notes to financial statements.

New Hope Ministries, Inc.

STATEMENTS of ACTIVITIES

Years Ended June 30 2018 and 2017

	2018		2018		2017		2017	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Total	
REVENUES, and OTHER SUPPORT								
Contributions	\$ 589,573	\$ 1,157,158	\$ 1,746,731	\$ 1,258,513	\$ 1,004,231	\$ 2,262,744		
Grants and allocations	464,460	152,418	616,878	358,375	168,910	527,285		
Noncash support	5,724,796	-0-	5,724,796	4,988,106	-0-	4,988,106		
Fundraising receipts	109,897	-0-	109,897	116,539	-0-	116,539		
Interest and dividend income	11,179	5,790	16,969	9,574	5,254	14,828		
Energy assistance	-0-	-0-	-0-	6,427	-0-	6,427		
Rental Income	35,285	-0-	35,285	12,500	-0-	12,500		
Realized Gain on investments	32,158	21,845	54,003	25,130	11,867	36,997		
Change in value of charitable annuity	1,265	-0-	1,265	(199)	-0-	(199)		
Unrealized gain on investments	12,397	928	13,325	6,945	20,718	27,663		
Loss on disposition of assets	(8,808)	-0-	(8,808)	-0-	-0-	-0-		
Net Assets Released from Restrictions	2,385,215	(2,385,215)	-0-	1,211,539	(1,211,539)	-0-		
Total Revenues, Gains, and Support	9,357,417	(1,047,076)	8,310,341	7,993,449	(559)	7,992,890		
EXPENSES								
Program Services	7,423,947	-0-	7,423,947	6,629,251	-0-	6,629,251		
Management and general	189,868	-0-	189,868	190,511	-0-	190,511		
Fundraising	527,731	-0-	527,731	520,658	-0-	520,658		
Total Expenses	8,141,546	-0-	8,141,546	7,340,420	-0-	7,340,420		
CHANGES in NET ASSETS	1,215,871	(1,047,076)	168,795	653,029	(559)	652,470		
NET ASSETS								
Beginning of Year	4,649,682	1,542,283	6,191,965	3,996,653	1,542,842	5,539,495		
End of Year	\$ 5,865,553	\$ 495,207	\$ 6,360,760	\$ 4,649,682	\$ 1,542,283	\$ 6,191,965		

See notes to financial statements.

New Hope Ministries, Inc.
STATEMENT of CASH FLOWS
Years Ended June 30 2018 and 2017

	2018	2017
CASH FLOWS from OPERATING ACTIVITIES		
Changes in Net Assets	\$ 168,795	\$ 652,470
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	146,677	121,639
Realized gain on investments	(54,003)	(36,997)
Unrealized gain on investments	(13,325)	(27,663)
Loss on disposition of assets	8,808	-0-
Change in value of charitable gift annuity	(1,265)	199
Changes in assets and liabilities:		
Increase (Decrease) in:		
Pledges Receivable	333,530	(273,220)
Inventory	6,823	40,957
Prepaid expenses	2,590	(5,628)
Increase (Decrease) in:		
Accounts Payable and accrued expenses	295,033	65,671
Annuity Payable	586	4,663
Accrued liability for compensated absences	1,862	763
Net Cash Provided by Operating Activities	896,111	542,854
CASH FLOWS from INVESTING ACTIVITIES		
Proceeds from Sale of Investments	181,319	774,064
Purchase of Investments	(235,970)	(674,120)
Purchase of Property and Equipment	(1,315,938)	(624,894)
Net Cash Used by Investing Activities	(1,370,589)	(524,950)
CASH FLOWS from FINANCING ACTIVITIES		
Payments on long term debt	(256,433)	-0-
Borrowings on Notes Payable	150,000	-0-
Net Cash Used by Investing Activities	(106,433)	-0-
INCREASE (DECREASE) in CASH and CASH EQUIVALENTS	(580,911)	17,904
CASH and CASH EQUIVALENTS		
Beginning	1,112,119	1,094,215
Ending	<u>\$ 531,208</u>	<u>\$ 1,112,119</u>
SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION		
Cash paid for interest	1,961	-0-
NON-CASH INVESTING and FINANCING ACTIVITIES		
Equipment Purchased Through Financing	-0-	249,823

See notes to financial statements.

New Hope Ministries, Inc.
 STATEMENTS of FUNCTIONAL EXPENSES
 Year Ended June 30 2018

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 610,247	\$ 82,712	\$ 229,141	\$ 922,100
Employee benefits	138,277	18,742	51,922	208,941
Retirement	15,533	2,105	5,832	23,470
Payroll taxes	50,690	6,870	19,034	76,594
Education and training	2,143	290	805	3,238
Equipment purchases	11,254	1,525	4,226	17,005
Fundraising	-0-	-0-	18,805	18,805
Insurance	29,238	3,964	10,980	44,182
Internet support	6,306	855	2,368	9,529
Investment fees	9,012	1,222	3,385	13,619
License and registration fees	22,863	3,099	8,586	34,548
Miscellaneous	9,884	1,340	3,712	14,936
Postage and freight	4,168	565	1,566	6,299
Professional fees	10,806	28,097	4,323	43,226
Public relations and promotion	-0-	-0-	56,436	56,436
Rent	32,842	962	2,667	36,471
Repairs and maintenance	46,604	6,316	17,499	70,419
Supplies	11,408	1,546	4,284	17,238
Telephone	19,323	2,619	7,256	29,198
Travel	4,458	3,941	10,917	19,316
Utilities	68,625	9,301	25,767	103,693
Volunteer appreciation	4,718	640	1,771	7,129
Depreciation	97,071	13,157	36,449	146,677
Property tax	7,695	-0-	-0-	7,695
Children's programs	4,385	-0-	-0-	4,385
Client and program resources	6,197	-0-	-0-	6,197
Scholarships and tuition assistance	12,000	-0-	-0-	12,000
Stability	40,212	-0-	-0-	40,212
Food assistance	188,800	-0-	-0-	188,800
Vehicle fuel assistance	4,219	-0-	-0-	4,219
Housing/rental assistance	82,833	-0-	-0-	82,833
Medical assistance	2,241	-0-	-0-	2,241
Utility assistance	63,868	-0-	-0-	63,868
Transportation assistance	71,761	-0-	-0-	71,761
Interest expense	1,961	-0-	-0-	1,961
Noncash assistance	5,732,305	-0-	-0-	5,732,305
	<u>5,732,305</u>	<u>-0-</u>	<u>-0-</u>	<u>5,732,305</u>
Total Expenses	\$ 7,423,947	\$ 189,868	\$ 527,731	\$ 8,141,546

See notes to financial statements.

New Hope Ministries, Inc.
 STATEMENTS of FUNCTIONAL EXPENSES
 Year Ended June 30 2017

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 634,605	\$ 86,014	\$ 238,288	\$ 958,907
Employee benefits	146,111	19,804	54,863	220,778
Retirement	12,403	1,681	4,657	18,741
Payroll taxes	55,224	7,485	20,736	83,445
Education and training	3,661	496	1,375	5,532
Equipment purchases	9,450	1,281	3,549	14,280
Fundraising	-0-	-0-	16,720	16,720
Insurance	19,349	2,623	7,266	29,238
Internet support	9,713	1,317	3,647	14,677
Investment fees	7,376	1,000	2,770	11,146
License and registration fees	15,685	2,126	5,890	23,701
Miscellaneous	6,276	851	2,357	9,484
Postage and freight	4,691	636	1,762	7,089
Professional fees	11,830	30,759	4,732	47,321
Public relations and promotion	-0-	-0-	56,642	56,642
Rent	38,867	1,139	3,156	43,162
Repairs and maintenance	36,109	4,894	13,558	54,561
Supplies	11,428	1,549	4,291	17,268
Telephone	17,898	2,426	6,721	27,045
Travel	5,516	4,876	13,508	23,900
Utilities	56,458	7,652	21,199	85,309
Volunteer appreciation	7,309	991	2,744	11,044
Depreciation	80,501	10,911	30,227	121,639
Property tax	1,204	-0-	-0-	1,204
Children's programs	6,035	-0-	-0-	6,035
Client and program resources	6,162	-0-	-0-	6,162
Scholarships and tuition assistance	33,680	-0-	-0-	33,680
Stability	54,667	-0-	-0-	54,667
Food assistance	109,906	-0-	-0-	109,906
Vehicle fuel assistance	7,487	-0-	-0-	7,487
Housing/rental assistance	80,413	-0-	-0-	80,413
Medical assistance	3,656	-0-	-0-	3,656
Utility assistance	55,892	-0-	-0-	55,892
Transportation assistance	52,160	-0-	-0-	52,160
Noncash assistance	5,027,529	-0-	-0-	5,027,529
Total Expenses	\$ 6,629,251	\$ 190,511	\$ 520,658	\$ 7,340,420

See notes to financial statements.

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS

NOTE 1 - NATURE of ACTIVITIES

New Hope Ministries, Inc. (the Organization) is a Christian social service ministry incorporated during January 1983, under the laws of the Commonwealth of Pennsylvania as a charitable nonprofit organization. The Organization was established to collect donations and distribute resources in the form of assistance to low-income families in the event of a crisis situation. In addition to providing financial assistance, the Organization administers a variety of programs aimed at improving the lives of at-risk youth and families of York, Cumberland and Adams Counties.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting is in accordance with accounting principles generally accepted in the United States of America and provides that revenue is recognized when earned and expenses are recorded when the corresponding liability is incurred.

Use of 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 at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Organization reports net assets, revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

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

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

Grants and contract funding which are restricted to the use of the organization's programs are reflected as unrestricted revenue when they are received and spent during the same year.

Income Tax Status

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of applicable state regulations. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

Management has assessed the Organization's exposure to income taxes at the entity level as a result of uncertain at positions taken in current and previously-filed tax returns. Examples of uncertain tax positions taken at the entity level include the continuing validity of the Organization's exempt status and the prospect of being subject to the filing requirement for unrelated business income. Presently, management believes that it is more likely than not that the Organization's tax position will be sustained upon examination, including any appeals and litigation, such that the Organization has no exposure to income tax liabilities arising from uncertain tax positions. The Organization is subject to routine audits by taxing jurisdictions; however, no audits for any tax periods are currently in progress.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and all short-term highly liquid investments with maturities of three months or less, except amounts reported in investments.

Accounts Receivable and Bad Debts

Accounts receivable are stated at outstanding balances, which management has determined to be the amount fully collectible, based on the history of collectability. The organization uses the allowance method to account for uncollectible accounts receivable.

Inventory

Inventory consists of donations of food, household supplies, gift cards, and donated cemetery lots. Food and household supplies are weighted and given a set price per pound, while all other donations are estimated at their fair values. More detailed information on donated items is discussed in Note 12.

Pledges Receivable

Pledges receivable consist of amounts allocated to the organization by United Way and the capital campaign. All amounts are anticipated to be collected within one year.

Fixed Assets

Fixed assets greater than \$1,000 are capitalized and stated at cost or fair value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. The costs of maintenance and repairs is charged to expenses as incurred. Significant renewals and betterments are capitalized. The costs and accumulated depreciation of the assets are removed from the accounts when sold or retired and any resulting gain or loss is included on the Statements of Activities for the period of disposal.

Investments, Income Recognition and Fair Value

Investments consist of marketable securities. Management determines the appropriate classification of the investments at the time they are acquired and evaluates the appropriateness of the classification at each balance sheet date. Investments are recorded at fair value based upon quoted market prices provided by external investment managers. Investments are reported at fair value with gains and losses included in the Statements of Activities.

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments, Income Recognition and Fair Value (Continued)

Financial Accounting Standards Board Statement ASC 820, Fair Value Measurements, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on recurring basis. This Standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from future cash flows. If an impairment loss has been determined, the loss recognized in the Statement of Activities is measured by the amount by which the carrying value exceeds the fair value of the asset. There were no impairments recognized for the years ended June 30, 2018 and 2017.

Contributions

Contributions are recognized as revenue in the period received. All other donor-imposed contributions are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, that is, when the conditions on which they depend are substantially met, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Activities as net assets reclassified from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises to Give

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional.

In-Kind Contributions

Donated in-kind contributions are recorded at the fair value at the time of receipt. These contributions are recognized as both support and expense on the Statements of Activities. Only those contributed services which create or enhance non-financial assets, require specialized skills, that are provided by individuals possessing such skills, would typically need to be purchased, if not provided by donation, are recognized in the financial statements.

Functional Allowance of Expenses

The costs of providing the various program and activities have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Adopted

On May 28 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending June 30, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. The standard improves current reporting requirements for not-for-profit entities. The most significant provisions of the ASU will require not-for-profit entities to: 1) report only two classes of net assets, 2) change the cash flow presentation or disclosure requirements for entities using the direct method of presenting cash flows, and 3) provide enhanced disclosure related to liquidity, underwater endowments, board designated net assets and time-restricted net assets. This standard will be effective for the fiscal year ending June 30, 2019. The Organization is currently assessing the impact the adoption of ASU 2016-14 will have on its financial statements.

NOTE 3 – Concentration of Credit Risk

The Organization's cash balances(s) with financial institutions, may at times, exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses and believes it has limited exposures to significant credit risk. Management regularly monitors the financial institutions, along with its cash balances, in an effort to keep potential risk to a minimum.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of investments could occur in the near term. Such changes could materially affect investment balances.

New Hope Ministries, Inc.
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to level 1 inputs and the lowest priority to level 3 inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset and liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2018.

Level 1: The fair value of common stocks, mutual funds are based on closing market prices for the respective security as reported in active markets.

Investments are stated at fair value and consist of the following as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash	42,470	-0-	-0-	42,470
Bonds	190,851	-0-	-0-	190,851
US Stocks	571,127	-0-	-0-	571,127
Non-US Stocks	<u>157,625</u>	<u>-0-</u>	<u>-0-</u>	<u>157,625</u>
Total Investments, at fair value	962,073	-0-	-0-	962,073

New Hope Ministries, Inc.
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are stated at fair value and consist of the following as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Cash	39,313	-0-	-0-	39,313
Bonds	179,431	-0-	-0-	179,431
US Stocks	530,171	-0-	-0-	530,171
Non-US Stocks	<u>89,914</u>	<u>-0-</u>	<u>-0-</u>	<u>89,914</u>
Total Investments, at fair value	838,829	-0-	-0-	838,829

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable related to Dillsburg & Lemoyne building project are as follows as of June 30:

	2018	2017
Receivable in less than one year	1,500	326,260
Receivable in one to five years	<u>5,375</u>	<u>8,351</u>
	6,875	334,242
Less discount to net present value	(58)	(369)
Less allowance for uncollectible pledges	<u>-0-</u>	<u>-0-</u>
Total pledges receivable	6,817	333,873

NOTE 6 – CONSTRUCTION-IN-PROGRESS

During the year ended June 30, 2016, the Organization began a building project in Dillsburg, Pennsylvania. All costs related to the planning and design of the building through June 30, 2018 were included in Property and Equipment as this building project was completed during the year ended June 30, 2018.

NOTE 7 – LINE OF CREDIT

New Hope Ministries, Inc. has an unsecured line of credit at M&T Bank with a drawing limit of \$250,000. The line bears interest at the Bank's prime rate. The line balance and all unpaid interest is due on demand. There was no outstanding balance on the line as of June 30, 2018 and 2017.

NOTE 8 – NOTE PAYABLE

New Hope Ministries, Inc. has an unsecured note payable to Farmers and Merchants Trust Company of Chambersburg in the amount of \$365,000. The note bears interest on the outstanding balance equal to the US Prime Rate (5.00% as of June 30, 2018). The note was paid off as of June 30, 2018.

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 8 – NOTE PAYABLE (Continued)

New Hope Ministries, Inc. has an unsecured note payable to York Traditions Bank in the amount of \$150,000. The note bears interest at a rate of 5.30% and is payable in monthly installments of \$2,857. The note payable agreement includes certain covenants by the Organization. As of June 30, 2018, these covenants were met or waived.

Maturities required on long-term debt are as follows for the years ending June 30:

2019	27,344
2020	28,829
2021	30,394
2022	32,045
2023	<u>24,778</u>
	143,390

NOTE 9 – SPLIT-INTEREST AGREEMENTS

The Organization had an outstanding split-interest agreement in the form of a charitable gift annuity. The donor contributed \$14,812 of which \$9,520 was treated as a charitable donation for the year ended June 30, 2017. The donation was recorded at fair value at the date of initial recognition. The remainder was recorded as a liability, estimating the annuity to be paid to the donor over his life expectancy. The annuity began in 2017 at the rate of \$1,333 per year.

The Organization had an additional outstanding split-interest agreement in the form of a charitable gift annuity from the same donor. The donor contributed \$10,000, of which \$5,916 was treated as a charitable donation for the year ended June 30, 2018. The donation was recorded at fair value at the date of initial recognition. The remainder was recorded as a liability, estimating the annuity to be paid to the donor over his life expectancy. The annuity payments began on September 30, 2017 at the rate of \$225 per quarter.

The discount rate is 9% and actuarial assumptions are based on life expectancies in conjunction with single life remainder factors. Adjustments to the annuity liability to reflect discount amortizations and any changes in life expectancy are made annually.

At this time, the Organization has not established any actuarial loss reserve pursuant to this contract. The adjustment to reflect the amortization of the annuity discount amounted to \$1,265 for the year ended June 30, 2018.

New Hope Ministries, Inc.
 NOTES to FINANCIAL STATEMENTS
 (Continued)

NOTE 10 - NET ASSETS

Unrestricted – board designated net assets represent cash earmarked by the board of directors for future use for purposes to support the Organization’s programs, and other charitable purposes that fall within the mission of the Organization.

Unrestricted net assets consist of the following as of June 30:

	2018	2017
Invested in fixed assets	4,700,632	3,540,179
Operating	651,505	709,659
Board designated	<u>513,416</u>	<u>399,844</u>
Total	5,865,553	4,649,682

The board designated funds are to be treated as a quasi-endowment by the Board of Directors. Board designated net assets consist of the following as of June 30, 2018.

	Capital	Endowment	Total
Board designated net assets, June 30, 2017	90,524	309,320	399,844
Interest and Dividends	2,293	7,322	9,615
Contributions	20,143	96,573	116,716
Net investment earnings	4,857	26,916	31,773
Withdrawals/transfers	<u>(13,313)</u>	<u>(31,219)</u>	<u>(44,532)</u>
Board designated net assets, June 30, 2018	104,504	408,912	513,416

Temporarily restricted net assets consist of contributions that have been designated by the donor for a specific purpose, which has not yet been fulfilled. Pledged contributions are considered temporarily restricted due to the fact that the pledged funds are not currently available.

Temporarily restricted net assets consist of the follow as of June 30:

	2018	2017
United Way pledge receivable	162,436	168,910
Contributions for scholarship awards	313,532	283,969
Programs	19,239	6,609
Equipment	-0-	50
Capital campaigns	<u>-0-</u>	<u>1,082,745</u>
Total Temporarily Restricted Net Assets	495,207	1,542,283

There were no permanently restricted net assets as of June 30, 2018 and 2017.

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 11 - SCHOLARSHIPS

The following is a summary of the Organization's scholarship fund for of the follow as of June 30:

	2018	2017
Beginning balance	283,969	264,530
Contributions	35,151	17,648
Investment earnings	28,563	33,291
Scholarships disbursed	<u>(34,151)</u>	<u>(31,500)</u>
Ending Balance	313,532	283,969

NOTE 12 – NONCASH SUPPORT

Food and other items, which are received by the Organization and the subsequent distribution of these items, are reflected on the Statements of Activities. The noncash support valuations were determined as follows:

Food Donation and Household Supplies – the employees or volunteers of the organization assign a value to donated food and household supplies as they are contributed to the organization. Values are assigned, based upon standardized price per pound, according to a product valuation survey performed by Feeding America, a national organization of food banks. The rate was \$1.73 and \$1.67 per pound for the years ended June 30, 2018 and 2017.

Agency Assistance – The Organization processes applications and determines eligibility for various assistance programs. The organization records the amount the client is qualified to receive. This assistance is ultimately paid by one or more of the following organizations: Operation Help, Energy Cost Assistance Emergency, and Energy Assistance Program.

Other Miscellaneous Assistance – Other miscellaneous assistance consists of Christmas gifts, clothing, and miscellaneous items. The costs of these items are estimated by the Organization, based on current market values and the condition of the items.

Fixed Asset Donations – The Organization receives donated fixed assets which are valued at estimated fair value by the Organization.

Noncash support consists of the following for the years ended June 30:

	2018	2017
Food bank contributions	5,403,940	4,720,307
Other goods and miscellaneous	207,062	202,902
Gift cards	26,170	26,145
Fundraising event sponsorship	10,303	9,395
Scholarship/learning	-0-	7,787
Utility assistance	54,696	8,026
Professional services	770	1,544
Automobile	12,913	10,430
Held for sale investment/fixed assets	<u>8,942</u>	<u>1,570</u>
Total	5,724,796	4,988,106

New Hope Ministries, Inc.
NOTES to FINANCIAL STATEMENTS
(Continued)

NOTE 13 – RETIREMENT PLAN

The Organization has adopted a defined contribution plan, which is established as a SIMPLE retirement plan. An employee is eligible to participate in the plan upon completion of their ninety-day probationary period. The Organization matches employee contributions, up to 3% of employee compensation. During the years ended June 30, 2018 and 2017, the Organization’s matching contributions were \$23,470 and \$18,741.

NOTE 14 – OPERATING LEASE

The Organization entered into five-year lease for copiers that terminates in November 2021. The Organization also leases space under an agreement that terminated December 31, 2018. Future minimum lease payments under these leases are as follows as of December 31,

2019	9,816
2020	7,116
2021	<u>6,523</u>
	23,455

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 10, 2018, which represents the date the financial statements were available to be issued.