

NEW HOPE MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of New Hope Ministries, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.


Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Camp Hill, Pennsylvania
November 1, 2022

NEW HOPE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 347,331	\$ 271,928
Cash - restricted	291,682	275,342
Investments - operating	386,881	949,128
Pledges receivable - United Way	174,559	170,000
Pledges receivable - capital campaign	10,000	250
Inventory	1,282,566	1,396,835
Prepaid expenses	162,091	140,046
Total current assets	2,655,110	3,203,529
Fixed Assets		
Land	309,000	309,000
Buildings	6,344,746	5,275,122
Furniture and fixtures	557,698	505,654
Vehicles	411,946	411,946
Construction-in-process	988,234	74,163
	8,611,624	6,575,885
Less accumulated depreciation	(1,542,754)	(1,266,354)
	7,068,870	5,309,531
Other Assets		
Long-term investments	1,103,503	1,272,507
Charitable gift annuity	16,809	21,777
Money market	84,098	74,904
Pledges receivable - capital campaign	10,000	-
Total investments	1,214,410	1,369,188
Total assets	\$ 10,938,390	\$ 9,882,248

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Line-of-credit	\$ 244,473	\$ -
Accounts payable and accrued expenses	181,917	90,254
Current portion of charitable gift annuity payable	2,233	2,233
Accrued liability for compensated absences	17,215	21,035
Deferred revenue	348	-
	<hr/>	<hr/>
Total current liabilities	446,186	113,522
Long-Term Liabilities		
Charitable gift annuities payable, net of current portion	3,464	4,215
Total long-term liabilities	3,464	4,215
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Total liabilities	449,650	117,737
Net Assets		
Without donor restrictions		
Undesignated	8,690,076	7,988,091
Board designated	809,339	879,885
With donor restrictions	989,325	896,535
Total net assets	10,488,740	9,764,511
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Total liabilities and net assets	\$ 10,938,390	\$ 9,882,248
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NEW HOPE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions			
Cash and other financial assets	\$ 1,274,131	\$ 2,306,698	\$ 3,580,829
In-kind - nonfinancial assets	5,965,040	-	5,965,040
In-kind - financial assets	79,330	-	79,330
Grants and allocations	1,452,503	145,500	1,598,003
Fundraising receipts	71,235	-	71,235
Rental income	89,995	-	89,995
Change in present value of charitable annuity	(1,482)	-	(1,482)
Investment income - net	(213,529)	(73,482)	(287,011)
Other income	5,609	-	5,609
Net assets released from restrictions	2,285,926	(2,285,926)	-
Total revenues and other support	11,008,758	92,790	11,101,548
Expenses			
Program services	9,639,583	-	9,639,583
Management and general	254,876	-	254,876
Fundraising	482,860	-	482,860
Total expenses	10,377,319	-	10,377,319
Changes in net assets	631,439	92,790	724,229
Net Assets:			
July 1, 2021	8,867,976	896,535	9,764,511
June 30, 2022	\$ 9,499,415	\$ 989,325	\$ 10,488,740

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions			
Cash and other financial assets	\$ 1,170,051	\$ 1,586,032	\$ 2,756,083
In-kind - nonfinancial assets	6,114,313	-	6,114,313
In-kind - financial assets	147,733	-	147,733
Grants and allocations	1,699,277	145,000	1,844,277
Fundraising receipts	53,054	-	53,054
Rental income	91,615	-	91,615
Change in present value of charitable annuity	(1,673)	-	(1,673)
Investment income - net	268,225	118,020	386,245
Other income	50,527	-	50,527
Forgiveness of Paycheck Protection Program loan	320,700	-	320,700
Net assets released from restrictions	1,851,302	(1,851,302)	-
Total revenues and other support	11,765,124	(2,250)	11,762,874
Expenses			
Program services	8,914,939	-	8,914,939
Management and general	208,319	-	208,319
Fundraising	418,289	-	418,289
Total expenses	9,541,547	-	9,541,547
Changes in net assets	2,223,577	(2,250)	2,221,327
Net Assets:			
July 1, 2020	6,644,399	898,785	7,543,184
June 30, 2021	<u>\$ 8,867,976</u>	<u>\$ 896,535</u>	<u>\$ 9,764,511</u>

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Changes in net assets	\$ 724,229	\$ 2,221,327
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	276,400	254,075
Contributed fixed assets	(32,750)	(44,018)
Contributed stock investments	(29,676)	(103,982)
Forgiveness of Paycheck Protection Program loan	-	(320,700)
Realized gains on sale of investments	(71,030)	(254,922)
Unrealized gains on value of investments	412,117	(121,853)
Change in value of charitable gift annuity	6,450	(278)
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(24,309)	(22,550)
Inventory	114,269	(331,413)
Prepaid expenses	(22,045)	(52,119)
(Decrease) increase in:		
Accounts payable and accrued expenses	91,663	(31,493)
Accrued liability for compensated absences	(3,820)	6,676
Deferred revenue	348	(83,847)
Net cash provided by operating activities	1,441,846	1,114,903
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,243,982	2,280,723
Purchase of investments	(824,142)	(2,401,620)
Purchase of fixed assets	(2,002,989)	(868,641)
Net cash used in investing activities	(1,583,149)	(989,538)
Cash Flows From Financing Activities		
Borrowings on line-of-credit	244,473	-
Payments on long-term debt	-	(74,320)
Payments on annuity contracts	(2,233)	(2,233)
Net cash provided by (used in) financing activities	242,240	(76,553)

(Continued)

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2022 and 2021

	2022	2021
Net increase in cash, cash equivalents and restricted cash	100,937	48,812
Cash, Cash Equivalents and Restricted Cash:		
Beginning	622,174	573,362
Ending	<u><u>\$ 723,111</u></u>	<u><u>\$ 622,174</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u><u>\$ 706</u></u>	<u><u>\$ 2,823</u></u>
Non-cash Financing Activities		
Forgiveness of Paycheck Protection Program advance	<u><u>\$ -</u></u>	<u><u>\$ 320,700</u></u>
Non-cash Investing Activities		
Donated fixed assets	<u><u>\$ 32,750</u></u>	<u><u>\$ 44,018</u></u>
Donated stock investment	<u><u>\$ 29,676</u></u>	<u><u>\$ 103,982</u></u>

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 1,175,616	\$ 132,010	\$ 271,442	\$ 1,579,068
Employee benefits	247,348	27,775	57,111	332,234
Retirement	23,122	2,596	5,339	31,057
Payroll taxes	95,805	10,758	22,121	128,684
Education and training	688	920	159	1,767
Equipment purchases	28,821	364	393	29,578
Fundraising	-	-	18,847	18,847
Insurance	44,453	765	1,051	46,269
Internet support	14,963	1,680	3,455	20,098
License and registration fees	14,631	1,643	3,378	19,652
Miscellaneous	29,456	162	175	29,793
Postage and freight	6,813	765	1,573	9,151
Professional fees	-	60,119	-	60,119
Property taxes	14,498	183	198	14,879
Public relations and promotion	-	-	74,454	74,454
Rent	21,930	1,817	3,736	27,483
Repairs and maintenance	145,562	1,837	1,987	149,386
Supplies	20,496	2,302	4,732	27,530
Telephone	15,340	1,722	3,542	20,604
Travel	10,077	1,132	2,327	13,536
Utilities	161,635	2,040	2,206	165,881
Volunteer appreciation	10,742	136	147	11,025
Depreciation	269,324	3,400	3,676	276,400
Children's programs	15,056	-	-	15,056
Client and program resources	2,282	-	-	2,282
Scholarships and tuition assistance	78,797	-	-	78,797
Stability	158,262	-	-	158,262
Food assistance	323,471	-	-	323,471
Vehicle fuel assistance	5,427	-	-	5,427
Housing/rental assistance	415,904	-	-	415,904
Medical assistance	6,182	-	-	6,182
Utility assistance	75,101	-	-	75,101
Transportation assistance	110,857	750	811	112,418
Interest expense	706	-	-	706
Non-cash assistance	6,096,218	-	-	6,096,218
Total expenses	\$ 9,639,583	\$ 254,876	\$ 482,860	\$ 10,377,319

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 967,462	\$ 108,636	\$ 223,380	\$ 1,299,478
Employee benefits	222,286	24,961	51,325	298,572
Retirement	19,744	2,217	4,559	26,520
Payroll taxes	77,613	8,715	17,920	104,248
Education and training	2,397	938	554	3,889
Equipment purchases	38,409	485	524	39,418
Fundraising	-	-	17,513	17,513
Insurance	61,608	906	1,121	63,635
Internet support	13,547	1,521	3,128	18,196
License and registration fees	13,272	1,490	3,064	17,826
Miscellaneous	13,116	126	136	13,378
Postage and freight	9,531	1,070	2,201	12,802
Professional fees	-	43,593	-	43,593
Property tax	2,397	30	33	2,460
Public relations and promotion	-	-	71,621	71,621
Rent	40,116	2,644	5,437	48,197
Repairs and maintenance	118,876	1,501	1,623	122,000
Supplies	14,481	1,626	3,343	19,450
Telephone	13,773	1,547	3,180	18,500
Travel	7,317	822	1,690	9,829
Utilities	122,353	1,544	1,670	125,567
Volunteer appreciation	8,805	111	120	9,036
Depreciation	247,571	3,125	3,379	254,075
Children's programs	5,836	-	-	5,836
Client and program resources	11,206	-	-	11,206
Scholarships and tuition assistance	49,968	-	-	49,968
Stability	84,349	-	-	84,349
Food assistance	381,463	-	-	381,463
Vehicle fuel assistance	2,376	-	-	2,376
Housing/rental assistance	375,526	-	-	375,526
Medical assistance	1,559	-	-	1,559
Utility assistance	71,339	-	-	71,339
Transportation assistance	89,424	711	768	90,903
Interest expense	2,823	-	-	2,823
Non-cash assistance	5,824,396	-	-	5,824,396
Total expenses	\$ 8,914,939	\$ 208,319	\$ 418,289	\$ 9,541,547

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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

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 non-profit organization. The Organization was established to collect donations and distribute resources in the form of assistance to low-income and no-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 Adams, York and Cumberland Counties.

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 be 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's financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require reporting information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and its Board of Directors.

Net assets with donor restrictions: Net assets that are subject to either temporary or perpetual stipulations imposed by donors and grantors. Temporary restrictions will be met by the Organization's actions or by the passage of time. Perpetual restrictions are designed to ensure that assets are maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

Income Tax Status: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and 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

Note 1. Nature of Activities and Summary of 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 tax 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.

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.

Pledges Receivable: Pledges receivable consist of capital campaign contributions and amounts allocated to the Organization by the United Way. Capital campaign contributions that are expected to be collected within one year are recorded at net realizable value. Pledges expected to be collected in future years are initially recorded at fair value using present value techniques. In subsequent years, amortization of the discounts is included in contribution revenue in the Statements of Activities.

Inventory: Inventory consists of donations of food, household supplies, gift cards and donated cemetery lots. Food and household supplies are weighed and given a set price per pound, while all other donations are estimated at the fair values. More detailed information on donated items is discussed in Note 16.

Fixed Assets: Fixed assets greater than \$2,500 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 cost 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.

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 Statements of Activities is measured by the amount by which the carrying value exceeds the fair value of the asset.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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

Investments, Income Recognition and Fair Value: Investments consist of fixed income and marketable equity 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 values provided by external investment managers on quoted market prices. Management has classified its investments as available-for-sale. Investments are reported at fair value with gains and losses included in the Statements of Activities.

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 a 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.

Deferred Income: Deferred income represents contributions or grants received to which measurable barrier and right of returns have not yet been met.

Contributions: The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Promises to Give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as 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.

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 and would typically need to be purchased, if not provided by donation, are recognized in the financial statements.

Functional Allocation of Expenses: The costs of providing the various programs 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 using square footage calculations and time studies to allocate non-direct expenses.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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

Adoption of New FASB's Accounting Standards Update: The Organization adopted FASB (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. Also, this ASU requires disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments have been applied under a retrospective basis. There is no effect on net assets in connection with our implementation.

Recent Accounting Pronouncement: In February 2016, FASB issued (ASU) 2016-02, *Leases (Topic 842)*. The most significant change in the new lease guidance requires lessees to recognize right-of-use assets and lease liabilities for all leases other than those that meet the definition of short-term leases. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which these assets and liabilities are not recorded, and lease payments are generally recognized over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under legacy accounting principles generally accepted in the United States of America. For all entities other than public-business enterprises, this Standard is effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted. Management is currently evaluating the effects that this Standard will have on the Organization's financial statements.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 1, 2022, the date the financial statements were available to be issued. See Note 16 for subsequent event disclosure.

Note 2. Concentration of Credit Risk

The Organization's cash balance(s) with financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses and believes it has limited exposure 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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the Statement of Financial Position date because of contractual restrictions or internal Board designations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2022	2021
Financial assets at year-end		
Cash and cash equivalents	\$ 347,331	\$ 271,928
Cash - restricted	291,682	275,342
Investments - operating	386,881	949,128
Pledges receivable - United Way	174,559	170,000
Pledges receivable - capital campaign	20,000	250
Long-term investments	1,103,503	1,272,507
Charitable gift annuity	16,809	21,777
Money market	84,098	74,904
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Total financial assets	2,424,863	3,035,836
Less amounts not available to be used within one year:		
Net assets with Board designations	809,339	879,885
Net assets with donor restrictions subject to purpose restriction	832,713	736,206
Net assets with donor restrictions subject to passage of time	156,612	160,329
Less: United Way allocations to be spent within the next year	(145,500)	(145,000)
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	1,653,164	1,631,420
Financial assets available to meet general expenditures over the next 12 months	<hr/> <hr/>	<hr/> <hr/>
	\$ 771,699	\$ 1,404,416

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. Refer to the Statements of Cash Flows which identifies the sources and uses of the Organization's cash.

The Organization has designated net assets for future use. See Note 11 for detail. However, these reserves may be available currently, if necessary, by action of the Organization's Board of Directors.

The Organization also has a line-of-credit available to meet short-term needs. See Note 8 for information about this arrangement.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of total cash, cash equivalents and assets limited to use within the Statements of Financial Position to the cash, cash equivalents and restricted cash amount on the Statements of Cash Flows:

	2022	2021
Cash and cash equivalents		
Cash and cash equivalents	\$ 347,331	\$ 271,928
Cash - restricted	291,682	275,342
Money market	84,098	74,904
Total cash, cash equivalents and restricted cash shown on the Statements of Cash Flows	<u>\$ 723,111</u>	<u>\$ 622,174</u>

Note 5. Investments and Fair Value Measurements

Financial Accounting Standards Board ASC 820, *Fair Value Measurements* establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

- | | |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the plan has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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 or liability.• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>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.</p> |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments and Fair Value Measurements (Continued)

The asset's 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 are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022 and 2021.

Level 1: The fair value of these investment securities was based on closing market prices for the respective security as reported in active markets.

Level 3: Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The following tables set forth, by level within the fair value hierarchy, the assets and liabilities at fair value as of June 30, 2022 and 2021, respectively:

Assets at Fair Value as of June 30, 2022

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 84,098	\$ -	\$ -	\$ 84,098
Equities	680,245	-	-	680,245
Exchange traded funds	602,792	-	-	602,792
Mutual funds	207,347	-	-	207,347
Charitable gift annuities	-	-	16,809	16,809
	<u>1,574,482</u>	<u>-</u>	<u>16,809</u>	<u>1,591,291</u>
Charitable gift annuities liability	-	-	(5,697)	(5,697)
Total financial assets and liabilities, net at fair value	<u>\$ 1,574,482</u>	<u>\$ -</u>	<u>\$ 11,112</u>	<u>\$ 1,585,594</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments and Fair Value Measurements (Continued)

Assets at Fair Value as of June 30, 2021

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 74,904	\$ -	\$ -	\$ 74,904
Equities	972,082	-	-	972,082
Exchange traded funds	818,143	-	-	818,143
Mutual funds	431,410	-	-	431,410
Charitable gift annuities	-	-	21,777	21,777
	2,296,539	-	21,777	2,318,316
Charitable gift annuities liability	-	-	(6,448)	(6,448)
Total financial assets and liabilities, net at fair value	\$ 2,296,539	\$ -	\$ 15,329	\$ 2,311,868

The following schedules summarize investment income (loss) and its classification in the Statements of Activities for the years ended June 30, 2022 and 2021:

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and dividends	\$ 52,809	\$ 17,048	\$ 69,857
Realized gains (losses) on investments	49,975	21,055	71,030
Unrealized gains (losses) on investments	(303,807)	(108,310)	(412,117)
Investment management fees	(12,506)	(3,275)	(15,781)
Investment income - net	\$ (213,529)	\$ (73,482)	\$ (287,011)

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and dividends	\$ 18,634	\$ 5,205	\$ 23,839
Realized gains (losses) on investments	171,104	83,818	254,922
Unrealized gains (losses) on investments	89,868	31,985	121,853
Investment management fees	(11,381)	(2,988)	(14,369)
Investment income - net	\$ 268,225	\$ 118,020	\$ 386,245

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments and Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 financial assets for the year ended June 30, 2022:

	Charitable Gift Annuities	Charitable Gift Annuities Liability
Balance - July 1, 2021	\$ 21,777	\$ (6,448)
Change in present value	-	(1,482)
Change in value	(2,735)	-
Payments on annuity contracts	(2,233)	2,233
Balance - June 30, 2022	<u>\$ 16,809</u>	<u>\$ (5,697)</u>

Note 6. Pledges Receivable

Pledges receivable are as follows as of June 30:

	2022	2021
Receivable in less than one year	\$ 10,000	\$ 250
Receivable in one to five years	10,000	-
	<u>\$ 20,000</u>	<u>\$ 250</u>

Note 7. Paycheck Protection Program Advances

The Organization was granted a \$320,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$320,700 as revenue for the year ended June 30, 2021.

Note 8. Line-of-Credit

New Hope Ministries, Inc., has an unsecured line-of-credit at M&T Bank. The line had a drawing limit of \$250,000. In April 2021, the limit was increased to \$500,000. The line bears interest at the bank's prime rate. The line balance and all unpaid interest is due on demand. The balance on the line as of June 30, 2022 and 2021, was \$244,473 and \$-0- respectively.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Long-Term Debt

New Hope Ministries had an unsecured note payable to York Traditions Bank in the amount of \$150,000. The note had an interest rate of 5.30% and was payable in monthly installments of \$2,857. The note payable agreement included certain covenants by the Organization. As of June 30, 2021, this obligation was fulfilled.

Note 10. 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 \$751 and \$560, for the years ended June 30, 2022 and 2021, respectively.

Note 11. Board Designated Net Assets

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, 2022:

	Capital	Endowment	Total
Board designated net assets, July 1, 2021	\$ 161,778	\$ 718,107	\$ 879,885
Contributions	50,718	50,000	100,718
Withdrawals	(30,094)	(25,000)	(55,094)
Investment income - net	2,390	(118,560)	(116,170)
Board designated net assets, June 30, 2022	<u>\$ 184,792</u>	<u>\$ 624,547</u>	<u>\$ 809,339</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Board Designated Net Assets (Continued)

Board designated net assets consist of the following as of June 30, 2021:

	Capital	Endowment	Total
Board designated net assets, July 1, 2020	\$ 106,178	\$ 449,125	\$ 555,303
Contributions	42,500	102,201	144,701
Withdrawals	(102,201)	-	(102,201)
Investment income net	115,301	166,781	282,082
Board designated net assets, June 30, 2021	<u>\$ 161,778</u>	<u>\$ 718,107</u>	<u>\$ 879,885</u>

The Board of Directors has standing Board policies that impact the presentation of Board designated net assets. Bequests without donor restrictions in the amount of \$5,000 or greater are designated for long-term investment in the Endowment account. Net assets without donor restrictions that are Board designated 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.

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of realized income generated from the donor restricted scholarship fund and contributions that have been designated by the donor for a specific purpose, which has not yet been fulfilled. Pledged contributions are considered restricted due to the fact that the pledged funds are not currently available.

The Organization's net assets with donor restrictions at June 30, 2022 and 2021, are comprised of the following:

	2022	2021
Subject to expenditure for specified purpose:		
Scholarship fund	\$ 363,267	\$ 433,528
Programs	379,335	235,959
Capital	90,111	66,719
Subject to the passage of time:		
Charitable gift annuity	11,112	15,329
United Way pledge receivable	145,500	145,000
	<u>\$ 989,325</u>	<u>\$ 896,535</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 12. Net Assets with Donor Restrictions (Continued)

2022 and 2021 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

	2022	2021
Expiration of time restrictions:		
United Way	\$ 145,000	\$ 145,000
Charitable gift annuity	996	2,249
Satisfaction of purpose restrictions		
Capital projects	1,369,103	599,749
Program	770,827	1,104,304
	<u>\$ 2,285,926</u>	<u>\$ 1,851,302</u>

Note 13. Scholarships

The following is a summary of the Organization's scholarship fund:

	2022	2021
Beginning balance	\$ 433,528	\$ 315,768
Returned funds	-	4,500
Investment earnings	(70,261)	113,260
Ending balance	<u>\$ 363,267</u>	<u>\$ 433,528</u>

Note 14. 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 90-day probationary period. The Organization matches employee contributions, up to 3% of employee compensation. During the years ended June 30, 2022 and 2021, the Organization's matching contributions were \$31,057 and \$26,520, respectively.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 15. Operating Lease

During 2020, the Organization entered into a 27-month lease for copiers that terminates in September 2022. The Organization previously entered into a five-year lease for copiers. During 2021, both of these leases were replaced with a new 60-month lease for copiers that terminates in February 2026.

During 2022, the Organization entered into a 9.5 month agreement for a building that terminates May 31, 2023 with a monthly rental payment of \$4,000. Rental expense totaled \$12,492 and \$10,149 for the years ended June 30, 2022, and 2021, respectively. Future minimum lease payments under these leases are:

Year	Amount
2023	\$ 50,492
2024	12,492
2025	12,492
2026	7,287
	<u>\$ 82,763</u>

Note 16. In-Kind Contributions

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 non-cash support valuations for nonfinancial assets 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. Prices 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 \$1.79 and \$1.74 per pound for the years ended June 30, 2022 and 2021, respectively.

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, Dover Food Bank, 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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 16. In-Kind Contributions (Continued)

Professional Services: The Organization records cost for donated professional services at the amount provided by the donor.

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

Rent: The Organization records in-kind rent at the fair market value of the property rented based on the average price per square foot of a comparable commercial space.

In-kind contributions of non-financial assets for the years ended June 30 are:

	2022	2021
Food	\$ 5,628,061	\$ 5,886,353
Others goods and miscellaneous	271,105	152,517
Fixed assets	32,750	44,018
Rent	22,500	22,500
Agency assistance	8,701	8,550
Professional services	1,923	375
	<u>\$ 5,965,040</u>	<u>\$ 6,114,313</u>

In addition to the non-financial assets above, the Organization also receives non-cash support in the form of financial assets. All financial assets donated are included in the Contribution - Cash and other financial assets line on the Statements of Activities.

Stocks: Any securities donated to the Organization are recorded at the fair market value on the day they are donated to the Organization.

Gift Cards: Any gift cards donated to the Organization are recorded at their cash value on the day they are donated to the Organization.

In-kind contributions of financial assets for the years ended June 30 are:

	2022	2021
Gift cards	\$ 49,654	\$ 43,751
Stocks	29,676	103,982
	<u>\$ 79,330</u>	<u>\$ 147,733</u>

All donated services and assets were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated services and assets.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 17. Subsequent Events

In August 2020, the Organization applied for a grant from the Commonwealth of Pennsylvania under the Redevelopment Assistance Capital Program (RACP) to fund the New Hope Ministries Service Sites Expansion and Construction Project. The Board of Directors approved the necessary commitment of matching funds of \$372,000 and the grant was subsequently awarded effective July 25, 2022. The Organization must have spent \$735,000 before the grant funds can be requested. As of June 30, 2022, no requests for reimbursement have been made. As of November 1, 2022, the Organization had spent \$960,950, meeting the requirement of \$735,000 however no RACP funds have been requested or received.