

NEW HOPE MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2019

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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, 2019 and 2018, the related statements of activities, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 18, 2019

NEW HOPE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 279,605	\$ 397,806
Cash - restricted	10,506	133,402
Investments - operating	138,552	129,318
Pledges receivable - United Way	147,393	162,436
Pledges receivable - capital campaign	1,700	5,375
Inventory	918,348	522,582
Prepaid expenses	64,552	46,708
Total current assets	1,560,656	1,397,627
Fixed Assets		
Land	309,000	309,000
Buildings	4,617,460	4,597,637
Furniture and fixtures	329,709	303,085
Vehicles	216,412	216,412
	5,472,581	5,426,134
Less accumulated depreciation	(897,214)	(725,502)
	4,575,367	4,700,632
Other Assets		
Pledges receivable - capital campaign (net)	2,230	1,442
Long-term investments	727,321	765,473
Charitable gift annuity	24,812	24,812
Money market	33,983	42,470
Total investments	788,346	834,197
Total assets	\$ 6,924,369	\$ 6,932,456

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities		
Accounts payable and accrued expenses	\$ 80,759	\$ 410,026
Current portion of charitable gift annuity payable	2,233	2,233
Current portion of note payable	28,829	27,344
Accrued liability for compensated absences	11,423	12,832
	<hr/>	<hr/>
Total current liabilities	123,244	452,435
Long-Term Liabilities		
Notes Payable, net of current portion	74,883	116,046
Charitable gift annuities payable, net of current portion	4,813	3,215
Total long-term liabilities	79,696	119,261
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Total liabilities	202,940	571,696
Net Assets		
Without donor restrictions		
Undesignated	5,775,059	5,352,137
Board designated	449,144	494,052
With donor restrictions	497,226	514,571
Total net assets	6,721,429	6,360,760
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Total liabilities and net assets	\$ 6,924,369	\$ 6,932,456
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NEW HOPE MINISTRIES, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 1,009,375	\$ 635,007	\$ 1,644,382
Grants and allocations	562,120	147,393	709,513
Non-cash support	7,165,302	-	7,165,302
Fundraising receipts	38,145	-	38,145
Energy assistance	6,800	-	6,800
Rental income	86,405	-	86,405
Change in value of charitable annuity	(4,389)	-	(4,389)
Investment income (loss) - net	5,599	(3,051)	2,548
Other income	64,664	-	64,664
Net assets released from restrictions	796,694	(796,694)	-
Total revenues and other support	9,730,715	(17,345)	9,713,370
Expenses			
Program services	8,577,888	-	8,577,888
Management and general	207,608	-	207,608
Fundraising	567,205	-	567,205
Total expenses	9,352,701	-	9,352,701
Changes in net assets	378,014	(17,345)	360,669
Net Assets - July 1, 2018	5,846,189	514,571	6,360,760
Net Assets - June 30, 2019	<u>\$ 6,224,203</u>	<u>\$ 497,226</u>	<u>\$ 6,721,429</u>

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 588,081	\$ 1,157,158	\$ 1,745,239
Grants and allocations	464,460	152,418	616,878
Non-cash support	5,724,796	-	5,724,796
Fundraising receipts	109,897	-	109,897
Energy assistance	-	-	-
Rental Income	35,285	-	35,285
Change in value of charitable annuity	1,265	-	1,265
Investment income - net	42,115	28,563	70,678
Loss on disposition of assets	(8,808)	-	(8,808)
Other income	1,492	-	1,492
Net assets released from restrictions	2,385,215	(2,385,215)	-
Total revenues and other support	9,343,798	(1,047,076)	8,296,722
Expenses			
Program services	7,414,556	-	7,414,556
Management and general	188,746	-	188,746
Fundraising	524,625	-	524,625
Total expenses	8,127,927	-	8,127,927
Changes in net assets	1,215,871	(1,047,076)	168,795
Net Assets - July 1, 2017	4,630,318	1,561,647	6,191,965
Net Assets - June 30, 2018	<u>\$ 5,846,189</u>	<u>\$ 514,571</u>	<u>\$ 6,360,760</u>

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Changes in net assets	\$ 360,669	\$ 168,795
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	171,713	146,677
Loss sale of asset	-	8,808
Realized gain on sale of investments	(35,667)	(54,003)
Unrealized loss (gain) on value of investments	37,725	(13,325)
Change in value of charitable gift annuity	1,598	(1,265)
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	17,930	333,530
Inventory	(395,766)	6,823
Prepaid expenses	(17,844)	2,590
(Decrease) increase in:		
Accounts payable and accrued expenses	(15,815)	(18,419)
Annuity payable	-	586
Accrued liability for compensated absences	(1,409)	1,862
Net cash provided by operating activities	123,134	582,659
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,076,772	181,319
Purchase of investments	(1,041,425)	(235,970)
Purchase of fixed assets	(359,900)	(1,002,486)
Net cash used in investing activities	(324,553)	(1,057,137)
Cash Flows From Financing Activities		
Payments on long-term debt	(39,678)	(256,433)
Borrowings on notes payable	-	150,000
Net cash used in financing activities	(39,678)	(106,433)

(Continued)

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
Net decrease in cash and cash equivalents	(241,097)	(580,911)
Cash and Cash Equivalents:		
Beginning	531,208	1,112,119
Ending	\$ 290,111	\$ 531,208
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 7,059	\$ 1,961

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 697,235	\$ 94,503	\$ 261,805	\$ 1,053,543
Employee benefits	151,424	20,524	56,859	228,807
Retirement	17,370	2,354	6,522	26,246
Payroll taxes	57,724	7,824	21,675	87,223
Education and training	1,938	263	728	2,929
Equipment purchases	7,625	1,033	2,863	11,521
Fundraising	-	-	8,559	8,559
Insurance	25,768	3,492	9,675	38,935
Internet support	6,407	868	2,406	9,681
License and registration fees	16,785	2,275	6,303	25,363
Miscellaneous	11,839	1,605	4,446	17,890
Postage and freight	3,738	507	1,404	5,649
Professional fees	11,049	28,727	4,420	44,196
Public relations and promotion	-	-	58,662	58,662
Rent	21,636	2,933	8,124	32,693
Repairs and maintenance	75,005	10,166	28,164	113,335
Supplies	11,134	1,509	4,181	16,824
Telephone	10,541	1,429	3,958	15,928
Travel	11,612	1,574	4,360	17,546
Utilities	73,361	9,943	27,546	110,850
Volunteer appreciation	4,991	676	1,874	7,541
Depreciation	113,639	15,403	42,671	171,713
Property tax	20,706	-	-	20,706
Children's programs	8,521	-	-	8,521
Client and program resources	3,062	-	-	3,062
Scholarships and tuition assistance	13,946	-	-	13,946
Stability	70,186	-	-	70,186
Food assistance	122,784	-	-	122,784
Vehicle fuel assistance	5,427	-	-	5,427
Housing/rental assistance	113,435	-	-	113,435
Medical assistance	2,160	-	-	2,160
Utility assistance	62,755	-	-	62,755
Transportation assistance	68,604	-	-	68,604
Interest expense	7,059	-	-	7,059
Non-cash assistance	6,748,047	-	-	6,748,047
Bad pledge expense	375	-	-	375
Total expenses	\$8,577,888	\$ 207,608	\$ 567,205	\$9,352,701

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Functional Expenses				
Salaries	\$ 610,246	\$ 82,712	\$ 229,142	\$ 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	-	-	18,805	18,805
Insurance	29,240	3,963	10,979	44,182
Internet support	6,306	855	2,368	9,529
License and registration fees	22,864	3,099	8,585	34,548
Miscellaneous	9,884	1,340	3,712	14,936
Postage and freight	4,169	565	1,565	6,299
Professional fees	10,806	28,097	4,323	43,226
Public relations and promotion	-	-	56,436	56,436
Rent	24,137	3,271	9,063	36,471
Repairs and maintenance	46,603	6,317	17,499	70,419
Supplies	11,408	1,546	4,284	17,238
Telephone	19,323	2,619	7,256	29,198
Travel	12,783	1,733	4,800	19,316
Utilities	68,624	9,301	25,768	103,693
Volunteer appreciation	4,718	639	1,772	7,129
Depreciation	97,071	13,157	36,449	146,677
Property tax	7,695	-	-	7,695
Children's programs	4,385	-	-	4,385
Client and program resources	6,197	-	-	6,197
Scholarships and tuition assistance	12,000	-	-	12,000
Stability	40,212	-	-	40,212
Food assistance	188,800	-	-	188,800
Vehicle fuel assistance	4,219	-	-	4,219
Housing/rental assistance	82,833	-	-	82,833
Medical assistance	2,241	-	-	2,241
Utility assistance	63,868	-	-	63,868
Transportation assistance	71,761	-	-	71,761
Interest expense	1,961	-	-	1,961
Non-cash assistance	5,732,305	-	-	5,732,305
Total expenses	\$ 7,414,556	\$ 188,746	\$ 524,625	\$ 8,127,927

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 United Way.

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 14.

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 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.

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.

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 (Continued): The Organization follows the provisions of 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 non-financial 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.

Contributions: Contributions are recognized as revenue in the period received. All other donor-imposed contributions are reported as net assets with donor restrictions. When a restriction expires, that is, when the conditions on which the restriction depends are substantially met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the Statements of Activities as net assets released from restrictions.

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.

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 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 using 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 Accounting Standard: For the year ended June 30, 2019, the Organization adopted the FASB Accounting Standards Update 2016-14. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The amendments required by this Update have been applied on a retrospective basis except for reporting expenses by natural and functional classification and the disclosures about liquidity and availability of resources as allowed by the Update. There was no material impact on the Organization's results of operations or financial condition upon adoption of the new standard.

Recent Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance. More judgement and estimates may be required in the revenue recognition process when compared to existing U.S. GAAP, including identifying performance obligations in the contract, estimating variable consideration and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either a full retrospective or retrospective with cumulative effect transition method. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The amendments in this Update are provided to assist entities in (1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance, e.g. Topic 606, and (2) determining whether a contribution is conditional. The amendments in this Update are applicable to annual periods beginning after December 15, 2018. Early adoption of the amendments is permitted. The amendments in this Update are to be applied on a modified prospective basis, although retrospective application is permitted. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered into after the effective date. Management is currently evaluating the effect that the amendments will have on the Organization's financial statements.

Reclassifications: Certain 2018 balances have been reclassified to conform to 2019 classifications; these reclassifications had no effects on 2018 net assets, changes therein and cash flows.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2019, the date the financial statements were available to be issued.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Note 3. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2019, 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.

	Total
Financial assets at year-end	
Cash and cash equivalents	\$ 279,605
Cash - restricted	10,506
Investments - operating	138,552
Pledges receivable - United Way	147,393
Pledges receivable - capital campaign	1,700
Long-term investments	727,321
Charitable gift annuity	24,812
Money market	33,983
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Total financial assets	1,363,872
Less amounts not available to be used within one year:	
Net assets with board designations	449,144
Net assets with donor restrictions subject to purpose restriction	332,067
Net assets with donor restrictions subject to passage of time	165,159
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	946,370
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Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 417,502</u></u>

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 also has a line-of-credit available to meet short-term needs. See Note 6 for information about this arrangement.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. 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.

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 is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments and Fair Value Measurements (Continued)

The following tables set forth, by level within the fair value hierarchy, the assets and liabilities at fair value as of June 30, 2019 and 2018, respectively:

Assets at Fair Value as of June 30, 2019

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 33,983	\$ -	\$ -	\$ 33,983
Equities	320,301	-	-	320,301
Exchange traded funds	465,838	-	-	465,838
Mutual funds	79,734	-	-	79,734
Charitable gift annuities	-	-	24,812	24,812
	<u>899,856</u>	<u>-</u>	<u>24,812</u>	<u>924,668</u>
Charitable gift annuities liability	-	-	(7,046)	(7,046)
Total financial assets and liabilities, net at fair value	<u>\$ 899,856</u>	<u>\$ -</u>	<u>\$ 17,766</u>	<u>\$ 917,622</u>

Assets at Fair Value as of June 30, 2018

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 42,470	\$ -	\$ -	\$ 42,470
Equities	206,010	-	-	206,010
Exchange traded funds	688,781	-	-	688,781
Charitable gift annuities	-	-	24,812	24,812
	<u>937,261</u>	<u>-</u>	<u>24,812</u>	<u>962,073</u>
Charitable gift annuities liability	-	-	(5,448)	(5,448)
Total financial assets and liabilities, net at fair value	<u>\$ 937,261</u>	<u>\$ -</u>	<u>\$ 19,364</u>	<u>\$ 956,625</u>

NEW HOPE MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS****Note 4. Investments and Fair Value Measurements (Continued)**

The following schedules summarize investment income (loss) and its classification in the Statements of Activities for the years ended June 30, 2019 and 2018:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 11,784	\$ 5,529	\$ 17,313
Realized gains on investments	17,016	18,651	35,667
Unrealized losses on investments	(15,059)	(22,666)	(37,725)
Investment management fees	(8,142)	(4,565)	(12,707)
Investment Income (Loss) - Net	\$ 5,599	\$ (3,051)	\$ 2,548

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 11,179	\$ 5,790	\$ 16,969
Realized gains on investments	32,158	21,845	54,003
Unrealized gains on investments	12,397	928	13,325
Investment management fees	(13,619)	-	(13,619)
Investment Income - Net	\$ 42,115	\$ 28,563	\$ 70,678

Note 5. Pledges Receivable

Pledges receivable are as follows as of June 30:

	2019	2018
Receivable in less than on year	\$ 1,700	\$ 5,375
Receivable in one to five years	2,400	1,500
	4,100	6,875
Less discount for net present value	(170)	(58)
Total pledges receivable	\$ 3,930	\$ 6,817

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2019 and 2018.

Note 7. Long-Term Debt

New Hope Ministries 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, 2019, these covenants were met or waived.

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

Year	Amount
2020	\$ 28,829
2021	30,394
2022	32,045
2023	12,444
	<u>\$ 103,712</u>

Note 8. 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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Split Interest Agreements (Continued)

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 \$1,598, for the year ended June 30, 2019.

Note 9. 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, 2019:

	Capital	Endowment	Total
Board designated net assets, July 1, 2018	\$ 79,692	\$ 408,912	\$ 488,604
Contributions	-	7,500	7,500
Investment income (loss) - net	5,054	(4,223)	831
Withdrawals/transfers	(32,791)	(15,000)	(47,791)
Board designated net assets, June 30, 2019	<u>\$ 51,955</u>	<u>\$ 397,189</u>	<u>\$ 449,144</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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10. 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, 2019 and 2018, are comprised of the following:

	2019	2018
Subject to expenditure for specified purpose:		
Scholarship fund	\$ 297,980	\$ 313,532
Programs	34,087	19,239
Subject to the passage of time:		
Charitable gift annuity	17,766	19,364
United Way pledge receivable	147,393	162,436
	<u>\$ 497,226</u>	<u>\$ 514,571</u>

2019 and 2018 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

	2019	2018
Expiration of time restrictions:		
United Way	\$ 162,436	\$ 168,910
Satisfaction of purpose restrictions		
Scholarship	24,500	29,142
Capital projects	3,050	1,173,612
Program	605,110	1,013,501
Equipment	-	50
	<u>\$ 795,096</u>	<u>\$ 2,385,215</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Scholarships

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

	2019	2018
Beginning balance	\$ 313,532	\$ 283,969
Contributions	12,000	35,151
Investment earnings	(3,052)	28,563
Scholarships disbursed	(24,500)	(34,151)
Ending balance	<u>\$ 297,980</u>	<u>\$ 313,532</u>

Note 12. 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, 2019 and 2018, the Organization's matching contributions were \$26,246 and \$23,470, respectively.

Note 13. Operating Lease

The Organization entered into a five-year lease for copiers that terminates in October 2021. Rental expense totaled \$9,816 and \$11,810 for 2019 and 2018, respectively.

Future minimum lease payments under the lease are:

Year	Amount
2020	\$ 7,116
2021	6,523
	<u>\$ 13,639</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. Non-Cash 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 non-cash 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. 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 \$1.68 and \$1.73 per pound for the years ended June 30, 2019 and 2018, 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.

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

Non-cash support consists of the following for the years ended June 30:

	2019	2018
Food	\$ 6,917,706	\$ 5,403,940
Others goods and miscellaneous	161,474	207,062
Gift cards	28,350	26,170
Fundraising event sponsorship	-	10,303
Stocks	2,455	-
Utility assistance	54,145	54,696
Professional services	1,172	770
Automobile	-	12,913
Fixed assets	-	8,942
	<u>\$ 7,165,302</u>	<u>\$ 5,724,796</u>