

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

We are pleased to present this report related to our audit of the financial statements of New Hope Ministries, Inc. (the Organization), for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for New Hope Ministries, Inc.'s financial reporting process.

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit, as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities with Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 15, 2023. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated May 15, 2023, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

In our meeting with you, we will discuss our views about the qualitative aspects of New Hope Ministries, Inc.'s significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following lists the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Accounting Policies and Practices (Continued)

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

Following is a description of a significant accounting policy and its application which was adopted during the year ended June 30, 2023:

The Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842 *Leases*, as amended, supersedes (ASC) Topic 840. This Standard 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. We have implemented Topic 842 with no effect on the statements as of June 30, 2023. The amendments have been applied under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting those accounting estimates may differ significantly from expected events. Estimates significant to the financial statements include the depreciation of property and equipment, functional allocations of costs, valuation of non-cash donations, and determinations of fair values of investments. The Board of Directors may wish to monitor throughout the year the process used to compute and record these accounting estimates.

Management has informed us they used all relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

The most sensitive disclosures affecting the financial statements were management's disclosure of the net assets and the disclosure relating to the non-cash support. Management has informed us they used all relevant facts available to them at the time to make the disclosures and we considered this information in the scope of our audit. We evaluated the key factors and assumptions used to develop the above disclosures in determining that they were neutral, consistent and clear in relation to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements

All audit adjustments proposed by us were accepted by management.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Difficult or Contentious Matters that Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with AICPA independence rules. For Boyer & Ritter LLC to fulfill its professional responsibility to maintain and monitor independence, it is essential that management, the Board of Directors and Boyer & Ritter LLC each play an important role.

Our Responsibilities

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. Boyer & Ritter LLC is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

The Organization's Responsibilities

- Timely inform Boyer & Ritter LLC, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, officers, or person in financial reporting oversight roles.
 - New beneficial owners of the Organization's equity securities that have significant influence.
 - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.

Shared Responsibilities: AICPA Independence (Continued)

The Organization's Responsibilities (Continued)

- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Organization and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with Boyer & Ritter LLC.
- Not entering into relationships resulting in Boyer & Ritter LLC, Boyer & Ritter LLC covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Organization.

Significant Written Communications Between Management of Our Firm

We have requested certain representations from management that are included in the management representation letter dated November 28, 2023.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Organization.

Closing

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than the specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to New Hope Ministries, Inc.

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

Camp Hill, Pennsylvania
November 28, 2023

NEW HOPE MINISTRIES, INC.

FINANCIAL REPORT

JUNE 30, 2023

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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, 2023 and 2022, 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, 2023 and 2022, 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 black ink, reading "Boyer & Ritten". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Camp Hill, Pennsylvania
November 28, 2023

NEW HOPE MINISTRIES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 261,457	\$ 347,331
Cash - restricted	135,396	291,682
Investments - operating	381,454	386,881
Pledges receivable - United Way	154,465	174,559
Pledges receivable - capital campaign	10,000	10,000
Accounts receivable - other	50,837	-
Inventory	1,161,473	1,282,566
Prepaid expenses	215,215	162,091
Total current assets	2,370,297	2,655,110
Fixed Assets		
Land	359,000	309,000
Buildings	7,895,764	6,344,746
Furniture and fixtures	569,528	557,698
Vehicles	508,532	411,946
Construction-in-process	44,071	988,234
	9,376,895	8,611,624
Less accumulated depreciation	(1,845,094)	(1,542,754)
	7,531,801	7,068,870
Other Assets		
Long-term investments	1,222,133	1,103,503
Charitable gift annuity	15,936	16,809
Money market	91,517	84,098
Pledges receivable - capital campaign	-	10,000
Total investments	1,329,586	1,214,410
Total assets	\$ 11,231,684	\$ 10,938,390

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2023	2022
Current Liabilities		
Line-of-credit	\$ -	\$ 244,473
Accounts payable and accrued expenses	113,265	181,917
Current portion of charitable gift annuity payable	2,233	2,233
Accrued liability for compensated absences	14,971	17,215
Deferred revenue	-	348
Total current liabilities	130,469	446,186
Long-Term Liabilities		
Charitable gift annuities payable, net of current portion	3,042	3,464
Total long-term liabilities	3,042	3,464
Total liabilities	133,511	449,650
Net Assets		
Without donor restrictions		
Undesignated	8,896,616	8,690,076
Board designated	907,154	809,339
With donor restrictions	1,294,403	989,325
Total net assets	11,098,173	10,488,740
Total liabilities and net assets	\$ 11,231,684	\$ 10,938,390

NEW HOPE MINISTRIES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions			
Cash and other financial assets	\$ 1,628,262	\$ 2,462,436	\$ 4,090,698
In-kind - nonfinancial assets	6,097,110	-	6,097,110
In-kind - financial assets	75,708	-	75,708
Grants and allocations	1,797,045	133,595	1,930,640
Fundraising receipts	91,139	-	91,139
Rental income	92,125	-	92,125
Change in present value of charitable annuity	(1,811)	-	(1,811)
Investment income - net	107,569	40,952	148,521
Other income	7	-	7
Net assets released from restrictions	2,331,905	(2,331,905)	-
Total revenues and other support	12,219,059	305,078	12,524,137
Expenses			
Program services	11,068,168	-	11,068,168
Management and general	315,920	-	315,920
Fundraising	530,616	-	530,616
Total expenses	11,914,704	-	11,914,704
Changes in net assets	304,355	305,078	609,433
Net Assets:			
July 1, 2022	9,499,415	989,325	10,488,740
June 30, 2023	<u>\$ 9,803,770</u>	<u>\$ 1,294,403</u>	<u>\$ 11,098,173</u>

See Notes to Financial Statements.

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	<u>\$ 9,499,415</u>	<u>\$ 989,325</u>	<u>\$ 10,488,740</u>

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Changes in net assets	\$ 609,433	\$ 724,229
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	302,339	276,400
Contributed fixed assets	(21,701)	(32,750)
Contributed stock investments	(27,985)	(29,676)
Realized losses (gains) on sale of investments	102,551	(71,030)
Unrealized (gains) losses on value of investments	(223,975)	412,117
Change in value of charitable gift annuity	2,684	6,450
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	30,094	(24,309)
Accounts receivable - other	(50,837)	-
Inventory	121,093	114,269
Prepaid expenses	(53,124)	(22,045)
(Decrease) increase in:		
Accounts payable and accrued expenses	(68,652)	91,663
Accrued liability for compensated absences	(2,244)	(3,820)
Deferred revenue	(348)	348
Net cash provided by operating activities	719,328	1,441,846
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,286,685	1,243,982
Purchase of investments	(1,250,479)	(824,142)
Purchase of fixed assets	(743,569)	(2,002,989)
Net cash used in investing activities	(707,363)	(1,583,149)
Cash Flows From Financing Activities		
Borrowings on line-of-credit	42,414	244,473
Payments on line-of-credit	(286,887)	-
Payments on annuity contracts	(2,233)	(2,233)
Net cash provided by (used in) financing activities	(246,706)	242,240

(Continued)

NEW HOPE MINISTRIES, INC.

STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2023 and 2022

	2023	2022
Net (decrease) increase in cash, cash equivalents and restricted cash	(234,741)	100,937
Cash, Cash Equivalents and Restricted Cash:		
Beginning	723,111	622,174
Ending	\$ 488,370	\$ 723,111
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 7,430	\$ 706
Non-cash Investing Activities		
Donated fixed assets	\$ 21,701	\$ 32,750
Donated stock investment	\$ 27,985	\$ 29,676

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
Functional Expenses				
Salaries	\$ 1,362,776	\$ 173,464	\$ 283,950	\$ 1,820,190
Employee benefits	274,818	34,981	57,261	367,060
Retirement	28,770	3,662	5,995	38,427
Payroll taxes	111,392	14,179	23,210	148,781
Education and training	13,832	2,737	2,882	19,451
Equipment purchases	46,085	553	595	47,233
Fundraising	-	-	17,851	17,851
Insurance	57,711	940	1,165	59,816
Internet support	19,102	2,431	3,980	25,513
License and registration fees	16,652	2,120	3,470	22,242
Miscellaneous	37,225	200	215	37,640
Postage and freight	12,687	1,615	2,644	16,946
Professional fees	-	59,313	-	59,313
Property taxes	20,026	240	259	20,525
Public relations and promotion	-	-	100,686	100,686
Rent	27,778	1,764	2,887	32,429
Repairs and maintenance	222,582	2,669	2,874	228,125
Supplies	31,735	4,040	6,613	42,388
Telephone	16,567	2,109	3,452	22,128
Travel	14,563	1,854	3,035	19,452
Utilities	198,751	2,383	2,567	203,701
Volunteer appreciation	14,940	179	193	15,312
Depreciation	294,993	3,537	3,809	302,339
Children's programs	14,083	-	-	14,083
Client and program resources	6,287	-	-	6,287
Scholarships and tuition assistance	64,826	-	-	64,826
Stability	204,303	-	-	204,303
Food assistance	783,262	-	-	783,262
Vehicle fuel assistance	14,084	-	-	14,084
Housing/rental assistance	648,066	-	-	648,066
Medical assistance	2,874	-	-	2,874
Utility assistance	137,953	-	-	137,953
Transportation assistance	163,640	950	1,023	165,613
Interest expense	7,430	-	-	7,430
Non-cash assistance	6,198,375	-	-	6,198,375
Total expenses	\$ 11,068,168	\$ 315,920	\$ 530,616	\$ 11,914,704

See Notes to Financial Statements.

NEW HOPE MINISTRIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

		Supporting Services		
	Program	Management		
	Services	and	Fundraising	Total
		General		
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 tax	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.

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 14.

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.

Leases: The Organization leases equipment under long-term lease agreements. At the lease commencement date, the Organization classifies its leases as either finance or operating based on the lease agreement terms. A lease is classified as a finance lease if certain criteria are met. If none of the lease classification criteria are met, the lease is classified as an operating lease. Finance leases are accounted for on the Organization's balance sheet as a financial liability with a corresponding asset. Operating lease obligations are not accounted for on the Organization's balance sheet. Lease payments for operating leases are expensed periodically over the term of the lease. Executory costs, such as insurance, taxes, maintenance, and repairs, are charged to expense as incurred. Improvements to leased property are capitalized as assets and are amortized over the longer of the lease term or the economic useful life of the asset.

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU replaces the ASC Section 840 with ASC Section 842. ASC 842 is effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. The newly issued ASU requires entities to recognize a right-of use (ROU) asset and a corresponding lease liability for both operating and financing (formerly capital) leases. The Organization's accounting for finance leases does not differ significantly from the new accounting standard. However, the Organization's accounting for operating leases is not consistent with the new accounting standard.

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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

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

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.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 28, 2023, the date the financial statements were available to be issued. See Note 15 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, 2023 and 2022, 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.

	2023	2022
Financial assets at year-end		
Cash and cash equivalents	\$ 261,457	\$ 347,331
Cash - restricted	135,396	291,682
Investments - operating	381,454	386,881
Pledges receivable - United Way	154,465	174,559
Pledges receivable - capital campaign	10,000	20,000
Accounts receivable - other	50,837	-
Long-term investments	1,222,133	1,103,503
Charitable gift annuity	15,936	16,809
Money market	91,517	84,098
	<hr/>	<hr/>
Total financial assets	2,323,195	2,424,863
Less amounts not available to be used within one year:		
Net assets with Board designations	907,154	809,339
Net assets with donor restrictions subject to purpose restriction	1,150,147	832,713
Net assets with donor restrictions subject to passage of time	144,256	156,612
Less: United Way allocations to be spent within the next year	(133,595)	(145,500)
	<hr/>	<hr/>
	2,067,962	1,653,164
Financial assets available to meet general expenditures over the next 12 months	<hr/> <hr/>	<hr/> <hr/>
	\$ 255,233	\$ 771,699

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 9 for details. 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 7 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:

	2023	2022
Cash and cash equivalents		
Cash and cash equivalents	\$ 261,457	\$ 347,331
Cash - restricted	135,396	291,682
Money market	91,517	84,098
Total cash, cash equivalents and restricted cash shown on the Statements of Cash Flows	<u>\$ 488,370</u>	<u>\$ 723,111</u>

Note 5. Investments and Fair Value Measurements

Financial Accounting Standards Board ASC 820, *Fair Value Measurements* establishes 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, 2023 and 2022.

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, 2023 and 2022, respectively:

Assets at Fair Value as of June 30, 2023

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 91,517	\$ -	\$ -	\$ 91,517
Equities	759,819	-	-	759,819
Exchange traded funds	575,232	-	-	575,232
Mutual funds	203,349	-	-	203,349
Other assets	65,187	-	-	65,187
Charitable gift annuities	-	-	15,936	15,936
	1,695,104	-	15,936	1,711,040
Charitable gift annuities liability	-	-	(5,275)	(5,275)
Total financial assets and liabilities, net at fair value	\$ 1,695,104	\$ -	\$ 10,661	\$ 1,705,765

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Investments and Fair Value Measurements (Continued)

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
	1,574,482	-	16,809	1,591,291
Charitable gift annuities liability	-	-	(5,697)	(5,697)
Total financial assets and liabilities, net at fair value	\$ 1,574,482	\$ -	\$ 11,112	\$ 1,585,594

The following schedules summarize investment income (loss) and its classification in the Statements of Activities for the years ended June 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 31,209	\$ 8,325	\$ 39,534
Realized gains (losses) on investments	(84,090)	(18,461)	(102,551)
Unrealized gains (losses) on investments	168,321	55,654	223,975
Investment management fees	(7,871)	(4,566)	(12,437)
Investment income - net	\$ 107,569	\$ 40,952	\$ 148,521

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
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)

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, 2023:

	Charitable Gift Annuities	Charitable Gift Annuities Liability
Balance - July 1, 2022	\$ 16,809	\$ (5,697)
Change in present value	-	(1,811)
Change in value	(873)	-
Payments on annuity contracts	(2,233)	2,233
Balance - June 30, 2023	<u>\$ 13,703</u>	<u>\$ (5,275)</u>

Note 6. Pledges Receivable

Pledges receivable are as follows as of June 30:

	2023	2022
Receivable in less than one year	\$ 10,000	\$ 10,000
Receivable in one to five years	-	10,000
	<u>\$ 10,000</u>	<u>\$ 20,000</u>

Note 7. 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, 2023 and 2022, was \$-0- and \$244,473, respectively.

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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 8. Split-Interest Agreements (Continued)

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 \$422 and \$751, for the years ended June 30, 2023 and 2022, respectively.

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, 2023:

	Capital	Endowment	Total
Board designated net assets, July 1, 2022	\$ 184,792	\$ 624,547	\$ 809,339
Contributions	40,951	-	40,951
Withdrawals	(28,279)	-	(28,279)
Investment income - net	11,708	73,435	85,143
Board designated net assets, June 30, 2023	<u>\$ 209,172</u>	<u>\$ 697,982</u>	<u>\$ 907,154</u>

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>

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, 2023 and 2022, are comprised of the following:

	2023	2022
Subject to expenditure for specified purpose:		
Scholarship fund	\$ 364,306	\$ 363,267
Programs	572,433	379,335
Capital	213,408	90,111
Subject to the passage of time:		
Charitable gift annuity	10,661	11,112
United Way pledge receivable	133,595	145,500
	<u>\$ 1,294,403</u>	<u>\$ 989,325</u>

2023 and 2022 net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by realization of events specified by donors as follows:

	2023	2022
Expiration of time restrictions:		
United Way	\$ 145,500	\$ 145,000
Charitable gift annuity	364	996
Satisfaction of purpose restrictions		
Capital projects	729,436	1,369,103
Program	1,416,605	770,827
Scholarship fund	40,000	-
	<u>\$ 2,331,905</u>	<u>\$ 2,285,926</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Scholarships

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

	2023	2022
Beginning balance	\$ 363,267	\$ 433,528
Contributions	-	-
Returned funds	-	-
Investment earnings	41,039	(70,261)
Scholarships disbursed	(40,000)	-
Ending balance	<u>\$ 364,306</u>	<u>\$ 363,267</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, 2023 and 2022, the Organization's matching contributions were \$38,427 and \$31,057, respectively.

Note 13. Operating Lease

During 2021, the Organization entered into a 60-month lease for copiers with \$1,041 monthly payments terminating in February 2026. During 2022, the Organization signed an additional lease with the same company for additional copiers, adding \$137 to the monthly payments also terminating in February of 2026.

Rental expense totaled \$12,684 and \$12,492 for the years ended June 30, 2023, and 2022, respectively. Future minimum lease payments under these leases are:

Year	Amount
2024	\$ 14,136
2025	14,136
2026	8,246
	<u>\$ 36,518</u>

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. 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 \$1.92 and \$1.79 per pound for the years ended June 30, 2023 and 2022, 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.

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:

	2023	2022
Food	\$ 5,867,965	\$ 5,628,061
Others goods and miscellaneous	194,195	271,105
Fixed assets	-	32,750
Rent	22,500	22,500
Agency assistance	12,450	8,701
Professional services	-	1,923
	<u>\$ 6,097,110</u>	<u>\$ 5,965,040</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.

NEW HOPE MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 14. In-Kind Contributions (Continued)

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:

	2023	2022
Gift cards	\$ 47,723	\$ 49,654
Stocks	27,985	29,676
	<u>\$ 75,708</u>	<u>\$ 79,330</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.

Note 15. Commitments

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 June 30, 2023, the Organization had completed the project and spent \$1,046,253, meeting the requirement of \$735,000. Funds have been requested. Subsequent to year-end, New Hope was notified of the approval for the reimbursement and expects to receive the funds in fiscal year 2024.