

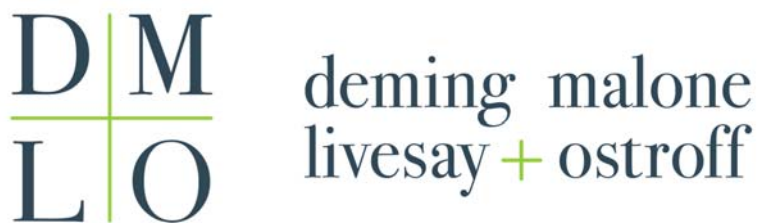
NEW HOPE SERVICES, INC. AND SUBSIDIARY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2022 and 2021

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Independent Auditors' Report

To the Officers and Directors
New Hope Services, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of New Hope Services, Inc. and Subsidiary (not-for-profit organizations), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Hope Services, Inc. and Subsidiary as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of New Hope Services, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 New Hope Services, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Hope Services, Inc. and Subsidiary'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.

Report on Summarized Comparative Information

We previously audited of New Hope Services, Inc. and Subsidiary's consolidated financial statements as of June 30, 2021 and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 9, 2022. In our opinion, the summarized comparative information on page 8 as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.


Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived

from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of New Hope Services, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Hope Services Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Hope Services, Inc. and Subsidiary's internal control over financial reporting and compliance.



Deming, Malone, Livesay & Ostroff
New Albany, Indiana
January 31, 2023

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current Assets		
Cash	\$ 358,042	\$ 1,384,831
Restricted cash	295,961	278,559
Contract receivables - workshop contracts, net	16,956	7,624
Grants and fees receivable	720,190	827,278
Investments	1,967,441	1,218,757
Certificate of deposit	70,000	
Development costs	2,397,209	1,725,788
Other current assets	<u>560,254</u>	<u>629,594</u>
Total current assets	<u>6,386,053</u>	<u>6,072,431</u>
Property and Equipment		
Land	1,798,236	1,798,236
Buildings and improvements	19,503,973	19,415,397
Equipment and vehicles	<u>1,836,999</u>	<u>1,701,048</u>
	23,139,208	22,914,681
Less accumulated depreciation	<u>(6,597,605)</u>	<u>(5,859,601)</u>
Property and equipment, net	<u>16,541,603</u>	<u>17,055,080</u>
Other assets		
Notes receivable - development costs	95,106	
Notes receivable - housing program	<u>6,851</u>	<u>86,130</u>
Total other assets	<u>101,957</u>	<u>86,130</u>
Total assets	<u><u>\$ 23,029,613</u></u>	<u><u>\$ 23,213,641</u></u>

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	<u>2022</u>	<u>2021</u>
Current Liabilities		
Accounts payable	\$ 362,078	\$ 388,087
Accrued wages and other accrued liabilities	1,571,202	1,797,196
Short-term bank borrowings	713,000	
Notes payable, current portion	763,357	654,471
Deferred revenue	<u>206,837</u>	<u>1,089,508</u>
Total current liabilities	<u>3,616,474</u>	<u>3,929,262</u>
Other Liabilities		
Notes payable, less current portion	6,585,075	6,834,716
Other payable - housing program	<u></u>	<u>69,608</u>
Total other liabilities	<u>6,585,075</u>	<u>6,904,324</u>
Total liabilities	<u>10,201,549</u>	<u>10,833,586</u>
Net Assets		
Without donor restrictions	5,488,564	5,040,555
With donor restrictions	<u>7,339,500</u>	<u>7,339,500</u>
Total net assets	<u>12,828,064</u>	<u>12,380,055</u>
Total liabilities and net assets	<u>\$ 23,029,613</u>	<u>\$ 23,213,641</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support			
Contributions	\$ 118,491	\$	\$ 118,491
Total public support	<u>118,491</u>		<u>118,491</u>
Governmental Agencies' Support			
Program service fees	6,033,842		6,033,842
Grants	351,560		351,560
Taxes	<u>640,074</u>		<u>640,074</u>
Total governmental agencies' support	<u>7,025,476</u>		<u>7,025,476</u>
Other Revenue			
Rental properties	1,524,617		1,524,617
Sheltered workshop	291,185		291,185
Miscellaneous	435,155		435,155
Small Business Administration PPP grant	1,014,715		1,014,715
Net investment return			
Realized and unrealized loss			
on investments, net	(396,194)		(396,194)
Investment interest and dividends, net	36,585		36,585
In-kind donation of property	8,846		8,846
Gain on disposal of property			
Total other revenue	<u>2,914,909</u>		<u>2,914,909</u>
Total support and other revenue	<u>10,058,876</u>		<u>10,058,876</u>

See Notes to Consolidated Financial Statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Program services			
Work Services	\$ 391,493		\$ 391,493
Habilitation and Placement	1,465,316		1,465,316
Rental Properties	796,342		796,342
Senior Care	132,613		132,613
Healthy Families	1,641,922		1,641,922
Indiana Family Health Clinic Council	202,779		202,779
Women Infant and Children (WIC)	1,567,787		1,567,787
Community Housing Development	1,796,764		1,796,764
Other Programs	182,156		182,156
Total program services	<u>8,177,172</u>		<u>8,177,172</u>
Support services			
Agency Administration	1,399,464		1,399,464
Fundraising Campaign	34,231		34,231
Total support services	<u>1,433,695</u>		<u>1,433,695</u>
Total expenses	<u>9,610,867</u>		<u>9,610,867</u>
Change in net assets	448,009		448,009
Net assets at the beginning of the year	<u>5,040,555</u>	<u>7,339,500</u>	<u>12,380,055</u>
Net assets at the end of the year	<u>\$ 5,488,564</u>	<u>\$ 7,339,500</u>	<u>\$ 12,828,064</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support			
Contributions	\$ 187,338	\$	\$ 187,338
Total public support	<u>187,338</u>		<u>187,338</u>
Governmental Agencies' Support			
Program service fees	5,735,161		5,735,161
Grants	333,795		333,795
Taxes	<u>727,360</u>		<u>727,360</u>
Total governmental agencies' support	<u>6,796,316</u>		<u>6,796,316</u>
Other Revenue			
Rental properties	1,740,143		1,740,143
Sheltered workshop	307,890		307,890
Miscellaneous	1,036,453		1,036,453
Small Business Administration PPP grant	970,385		970,385
Net investment return			
Realized and unrealized gain			
on investments, net	350,454		350,454
Investment interest and dividends, net	23,434		23,434
In-kind donation of property			
Gain on disposal of property	<u>1,037,766</u>		<u>1,037,766</u>
Total other revenue	<u>5,466,525</u>		<u>5,466,525</u>
Total support and other revenue	<u>12,450,179</u>		<u>12,450,179</u>

See Notes to Consolidated Financial Statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses			
Program services			
Work Services	\$ 508,077		\$ 508,077
Habilitation and Placement	1,276,584		1,276,584
Rental Properties	792,309		792,309
Senior Care	115,945		115,945
Healthy Families	1,689,541		1,689,541
Indiana Family Health Clinic Council	205,615		205,615
Women Infant and Children (WIC)	1,385,296		1,385,296
Community Housing Development	2,643,406		2,643,406
Other Programs	169,981		169,981
Total program services	<u>8,786,754</u>		<u>8,786,754</u>
Support services			
Agency Administration	1,750,067		1,750,067
Fundraising Campaign	44,193		44,193
Total support services	<u>1,794,260</u>		<u>1,794,260</u>
Total expenses	<u>10,581,014</u>		<u>10,581,014</u>
Change in net assets	1,869,165		1,869,165
Net assets at the beginning of the year	<u>3,171,390</u>	<u>7,339,500</u>	<u>10,510,890</u>
Net assets at the end of the year	<u>\$ 5,040,555</u>	<u>\$ 7,339,500</u>	<u>\$ 12,380,055</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022
With Comparative Totals for 2021

	Program Services							
	Work Services	Habilitation and Placement	Rental Properties	Senior Care	Healthy Families	Indiana Family Health Clinic Council	WIC	Community Housing Development
Salaries and Related Expenses								
Salaries and wages	\$ 179,696	\$ 1,111,418	\$ 113,578	\$ 99,037	\$ 1,170,958	\$ 133,520	\$ 1,102,845	\$ 226,505
Employee benefits	17,014	123,474	10,509	9,225	205,746	6,824	166,352	(108,051)
Payroll taxes	13,472	82,295	8,463	7,191	84,305	10,406	80,075	16,737
Total salaries and related expenses	210,182	1,317,187	132,550	115,453	1,461,009	150,750	1,349,272	135,191
Operating Expenses								
Consulting and professional fees	14,716	64,044	700		22,704	9,693	5,095	4,919
Workshop materials and supplies	18,494	1,588						
Supplies	3,871	7,345	63,287	3,869	20,802	37,555	45,064	3,443
Telephone	267	3,008	34,442	483	22,798	1,007	19,433	1,156
Postage and freight	481	148	27	10	140	287	6,968	281
Occupancy and lease	6,744	26	258,129	(67)	164		27,621	3,123
Equipment repairs and rental	1,494		598			975	342	
Transportation	20,435	35,040	10,542	4,387	42,122		13,112	8,509
Conferences, conventions, and meetings	1,798	5,016	27	1,303	15,239	999	9,984	
Printing and publications	60	195			702		1,267	
Wages - workshop clients	71,859							
Insurance								
Licenses and royalties			132	250		337	1,106	
Interest			42,211				12,457	13,739
Dues and subscriptions	3,388	252		44	5,297		100	680
Community housing	2,545	10,337	3,557	41	123	219	402	1,218,430
Bad debt	2,634	10,964						
Miscellaneous	2,197	6,639	2,464	258	50,822	957	75,564	2,923
Total operating expenses	150,983	144,602	416,116	10,578	180,913	52,029	218,515	1,257,203
Total expenses before depreciation and amortization	361,165	1,461,789	548,666	126,031	1,641,922	202,779	1,567,787	1,392,394
Depreciation and amortization	30,328	3,527	247,676	6,582				404,370
Total expenses	\$ 391,493	\$ 1,465,316	\$ 796,342	\$ 132,613	\$ 1,641,922	\$ 202,779	\$ 1,567,787	\$ 1,796,764
Expenses for the year ended June 30, 2021	\$ 508,077	\$ 1,276,584	\$ 792,309	\$ 115,945	\$ 1,689,541	\$ 205,615	\$ 1,385,296	\$ 2,643,406

See Notes to Consolidated Financial Statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

With Comparative Totals for 2021

	Program Services		Supporting Services				June 30, 2021
	Other Programs	Total Program Services	Agency Administration	Fundraising Campaign	Total Support Services	Total Expenses	Total
Salaries and Related Expenses							
Salaries and wages	\$ 136,661	\$ 4,274,218	\$ 797,399		\$ 797,399	\$ 5,071,617	\$ 4,895,148
Employee benefits	11,285	442,378	59,504		59,504	501,882	1,024,438
Payroll taxes	10,758	313,702	49,202		49,202	362,904	344,190
Total salaries and related expenses	158,704	5,030,298	906,105		906,105	5,936,403	6,263,776
Operating Expenses							
Consulting and professional fees		121,871	172,489	\$ 27,825	200,314	322,185	283,832
Workshop materials and supplies		20,082				20,082	26,958
Supplies	1,370	186,606	55,010	1,670	56,680	243,286	255,304
Telephone	415	83,009	10,133		10,133	93,142	113,988
Postage and freight	1	8,343	4,614	2,464	7,078	15,421	20,603
Occupancy and lease	98	295,838	15,420		15,420	311,258	264,884
Equipment repairs and rental		3,409	386		386	3,795	2,403
Transportation	19,192	153,339	627		627	153,966	126,282
Conferences, conventions, and meetings	64	34,430	30,745		30,745	65,175	41,954
Printing and publications		2,224	2,996	2,272	5,268	7,492	7,465
Wages - workshop clients		71,859				71,859	186,328
Insurance			9,476		9,476	9,476	11,162
Licenses and royalties		1,825				1,825	250
Interest		68,407	74,264		74,264	142,671	150,689
Dues and subscriptions		9,761	42,970		42,970	52,731	48,143
Community housing		1,235,654	10,406		10,406	1,246,060	1,435,214
Bad debt		13,598				13,598	283,845
Miscellaneous	2,312	144,136	13,277		13,277	157,413	265,375
Total operating expenses	23,452	2,454,391	442,813	34,231	477,044	2,931,435	3,524,679
Total expenses before depreciation and amortization	182,156	7,484,689	1,348,918	34,231	1,383,149	8,867,838	9,788,455
Depreciation and amortization		692,483	50,546		50,546	743,029	792,559
Total expenses	\$ 182,156	\$ 8,177,172	\$ 1,399,464	\$ 34,231	\$ 1,433,695	\$ 9,610,867	\$ 10,581,014
Expenses for the year ended June 30, 2021	\$ 169,981	\$ 8,786,754	\$ 1,750,067	\$ 44,193	\$ 1,794,260	\$ 10,581,014	

See Notes to Consolidated Financial Statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 448,009	\$ 1,869,165
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	743,029	792,559
Gain on disposal of property and equipment		(1,037,766)
Loss (gain) on sale of investments	30,131	(37,866)
Bad debt expense	13,598	283,845
In-kind donation of property	(8,846)	
Unrealized loss (gain) on investments	366,063	(312,588)
(Increase) decrease in:		
Contract receivables - workshop contracts	(9,332)	8,485
Grants and fees receivable	107,088	116,645
Development costs	(685,019)	24,988
Other current assets	69,340	(221,238)
Notes receivable - development costs	(95,106)	
Notes receivable - housing program	79,279	16,164
Increase (decrease) in:		
Accounts payable	(26,009)	(829)
Accrued wages and other accrued liabilities	(225,994)	405,315
Other payable - housing program	(69,608)	26,480
Deferred revenue	(882,671)	(15,168)
Net cash (used in) provided by operating activities	<u>(146,048)</u>	<u>1,918,191</u>
Cash Flows from Investing Activities:		
Purchase of investments	(1,367,569)	(285,390)
Proceeds from sale of investments	227,773	271,971
Purchase of certificate of deposit	(70,000)	
Proceeds from sale of property and equipment		2,300,000
Purchase of property and equipment	(126,058)	(244,089)
Net cash (used in) provided by investing activities	<u>(1,335,854)</u>	<u>2,042,492</u>
Cash Flows from Financing Activities:		
Short term bank borrowings, net	713,000	(1,453,305)
Payments on notes payable	(240,485)	(1,940,800)
Net cash provided by (used in) financing activities	<u>472,515</u>	<u>(3,394,105)</u>
Net change in cash and restricted cash	(1,009,387)	566,578
Cash and restricted cash at beginning of year	<u>1,663,390</u>	<u>1,096,812</u>
Cash and restricted cash at end of year	<u>\$ 654,003</u>	<u>\$ 1,663,390</u>

See Notes to Consolidated Financial Statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Investing activities:		
Purchase of property and equipment:		
Cost of property and equipment acquisition	\$ (224,528)	\$ (343,255)
Property and equipment acquired with debt	<u>98,470</u>	<u>99,166</u>
Net cash paid for purchases of property and equipment	<u><u>\$ (126,058)</u></u>	<u><u>\$ (244,089)</u></u>
Proceeds from the issuance of notes payable:		
Proceeds from the issuance of long-term debt	\$ 98,470	\$ 99,166
Property and equipment acquired with notes payable	<u>(98,470)</u>	<u>(99,166)</u>
Net proceeds from the issuance of notes payable	<u><u>\$</u></u>	<u><u>\$</u></u>
Supplemental Disclosure		
Interest paid	<u><u>\$ 337,221</u></u>	<u><u>\$ 402,629</u></u>
Reconciliation of Cash and Restricted Cash		
Cash	\$ 358,042	\$ 1,384,831
Restricted cash	<u>295,961</u>	<u>278,559</u>
Cash and restricted cash at end of year	<u><u>\$ 654,003</u></u>	<u><u>\$ 1,663,390</u></u>

See Notes to Consolidated Financial Statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Nature of Agency and principles of consolidation:

New Hope Services, Inc. is a private not-for-profit agency, which provides a full range of services for disadvantaged individuals of Southern Indiana. New Hope's focus is in three primary divisions: Ability Services, Family Services, and Housing & Community Development. Clients include individuals and families, seniors, and adults with developmental disabilities.

The consolidated financial statements include the accounts of New Hope Services, Inc. and its Subsidiary, New Hope Development Services, LLC (collectively the Agency). New Hope Development Services, LLC is devoted exclusively to the development of affordable housing units. New Highland Inc., Willow Trace Holdings, LLC, Rivers Edge Holdings, LLC, Forest Glen Holdings, LLC, MFOS Apartments, LLC, DZP Brazil, LLC, and TLAL Apartments, LLC, all wholly-owned subsidiaries of New Hope Services, Inc. had no significant activity during the year ending June 30, 2022. See Note 11 for additional information regarding these related parties. All significant intercompany transactions and balances have been eliminated.

Summary of significant accounting policies:

The summary of significant accounting policies of the Agency is presented to assist in understanding the Agency's consolidated financial statements. The consolidated financial statements are representations of the Agency's management who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Basis of accounting:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Accounting Standards Codification (ASC) as produced by the Financial Accounting Standards Board (FASB) is the primary source of authoritative GAAP for non-governmental entities.

Basis of presentation:

The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions:

Net assets available for use in general operation and not subject to donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Net assets with donor restrictions:

Net assets subject to donor-imposed restrictions. The Agency's donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. If assets are received and their restriction expires or is fulfilled in the same period, then the asset is classified as being without donor restriction for the period.

Use of estimates:

The preparation of consolidated 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 (and disclosure of contingent assets and liabilities, if any) at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition:

Contract revenue, as defined under Accounting Standards Codification 606, is derived primarily from providing health and human, management, and consulting services to those seeking the services. Revenue is recognized at a point in time or over time as the services are rendered satisfying the performance obligations.

Revenue recognized over time:

The Agency recognizes revenue from certain contracts over time as services are rendered under the contracts. Revenue is primarily derived from contracts that generally span one year or less. Revenue is recognized using the input method as time has elapsed.

Transaction prices vary according to the terms of the contracts and are the amount of consideration the Agency expects to be entitled in exchange for services rendered. The consideration promised in a contract is a fixed amount, and payments are due upon invoicing.

Revenue recognized at a point in time:

The Agency recognizes revenue from certain contracts at a point in time when the service is rendered. Revenues are reported at the estimated net realizable amounts for services rendered. Transaction prices vary according to the type, level, and volume of services rendered. Amounts are generally billed as services are rendered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Agency has determined that the nature, amount, timing and uncertainty of contract revenues and cash flows are affected by the economy and stability of the government. In this industry, laws and regulations are complex and subject to interpretation and can also be subject to future government review and revision. The current level of the Agency's operations and program services may be impacted if funding is significantly decreased.

Contributions:

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions with donor-imposed restrictions that are met during the same year as the contribution is made are included in support without donor restrictions.

Cash, restricted cash, and cash equivalents:

For purposes of the consolidated statements of cash flows, the Agency considers all short-term investments with an original maturity of three months or less that are not held as part of an investment portfolio to be cash equivalents. There were no cash equivalents as of June 30, 2022 and 2021.

Restricted cash consists of cash required to be used or held for specific purposes, such as escrow balances and required reserves. Restricted cash also includes security deposits received from tenants. The cash is restricted for reimbursements of security deposits unless there is evidence of default by the tenant under the lease agreement.

Receivables:

The Agency uses the allowance method of valuing receivables, which is based upon historical experience, coupled with a review of the current status of existing receivables. Management has provided an allowance of \$3,000 at both June 30, 2022 and 2021 for contract receivables - workshop contracts. No allowance for grants and fees receivable was considered necessary at June 30, 2022 and 2021. See notes within the consolidated financial statements for additional information for receivables relating to grants and fees, notes, and related parties.

The Agency's opening and closing balances of accounts and grants receivables for 2022 and 2021 are as follows:

	<u>End of 2022</u>	<u>End of 2021</u>	<u>End of 2020</u>
Contract receivables - workshop	\$ 16,956	\$ 7,624	\$ 16,109
Grants and fees receivable	720,190	827,278	943,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments:

The Agency invests in publicly traded stocks and mutual funds. These investment securities are subject to the risks common to financial markets, including interest rate risks, credit risks, and overall market risks, all of which could affect the value of the investments in the future.

Property and equipment:

Property and equipment are recorded at cost, or if donated, at fair value at date of donation. Maintenance and repairs are charged to expense when incurred. Major expenditures, and those which substantially increase useful lives, are capitalized. Gain or loss on retirements or dispositions of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. For purposes of computing depreciation, the estimated useful lives are 24 to 40 years for buildings, 10 to 20 years for building improvements, 3 to 10 years for equipment and 5 to 10 years for vehicles.

The Agency periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

Advertising:

The Agency expenses advertising costs when incurred. Advertising costs were \$7,492 and \$7,465 and for the years ended June 30, 2022 and 2021, respectively.

Functional allocation of expenses:

The consolidated statement of functional expenses presents expenses by both natural and functional classification. Costs are allocated under the respective functional department based on a variety of factors, such as time analysis.

The June 30, 2022 consolidated statement of functional expenses presents summarized comparative information from the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's consolidated financial statements for the year ended June 30, 2021, from which the summarized information was derived.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income taxes:

The Agency is exempt from federal, state, and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Agency files an informational tax return in the U.S. federal jurisdiction and with the Indiana Department of Revenue. However, income from certain activities not directly related to the Agency's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Agency has unrelated business income for the year ended June 30, 2022.

As of June 30, 2022, the Agency does not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the year then ended.

In-kind contributions:

The Agency received the following in-kind contributions for the year ended June 30, 2022:

Property	\$8,846
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There were no in-kind donations for the year ended June 30, 2021.

In-kind contributions are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Estimated fair value is determined based on information provided by the donor regarding the value of goods and services received. The Agency did not monetize any in-kinds contributions for the years ended June 30, 2022 and 2021. In-kind contributions were used to support general programming during the years ended June 30, 2022 and 2021. There were no donor restrictions on in-kind contributions for the years ended June 30, 2022 and 2021.

Reclassifications:

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

Change in accounting principle:

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard modifies the presentation and disclosure requirements for in-kind contributions. The Agency has implemented the provisions of ASU No. 2020-07 retrospectively to all periods presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Newly issued standards not yet effective:

The Financial Accounting Standards Board issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021; and 2) ASU No. 2016-13, *Financial Instruments-Credit Losses*, effective for fiscal years beginning after December 15, 2022.

The Agency is evaluating the impact of these standards on future consolidated financial statements.

Date of management's review:

The Agency has evaluated events and those occurring subsequent to the consolidated statement of financial position date for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date of the report, which is the date these consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 358,042	\$1,384,831
Investments	1,967,441	1,218,757
Less deferred compensation investments	(859,029)	(1,039,880)
Contract receivables, net	16,956	7,624
Grants and fees receivable	<u>720,190</u>	<u>827,278</u>
	<u>\$2,203,600</u>	<u>\$2,398,610</u>
Available line of credit	<u>\$1,287,000</u>	<u>\$2,000,000</u>

The consolidated entities of New Hope Services, Inc. are supported by restricted contributions through various government programs. The revenue for these contracts are either cost reimbursement or rate based programs. The Agency's budget for the next year includes estimated revenue of \$10,668,183 and estimated expenditures of \$10,572,506. Available assets to be used within one year of the consolidated statement of financial position date does not include any assets whose use is restricted.

The Agency manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Fair Value Measurements

The carrying amounts of the Agency's investments approximate fair value because of the short-term maturity of these instruments. These financial assets are measured at fair value on the consolidated financial statements using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities the Agency has the ability to access at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 - Unobservable inputs reflect the Agency's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Agency develops these inputs based on the best information available, including its own data.

Cash and cash equivalents in the amount of \$48,992 and \$30,710 at June 30, 2022 and 2021, respectively are included in the investment balance; however cash and cash equivalents are not subject to fair value disclosure requirements.

The certificate of deposit is valued at the sum of the principal and accumulated interest as of the date of the consolidated financial statements. There have been no changes in the methodologies used to value investments at June 30, 2022 and 2021.

Investments are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in the methodologies used to value investments at June 30, 2022 and 2021.

In accordance with the Fair Value Measurements Topic of the FASB Accounting Standards Codification, the following tables represent the Agency's fair value hierarchy for financial assets measured at fair value on a recurring basis as of June 30, 2022 and 2021. All investments are considered to be Level 1 investments.

	<u>2022</u>	<u>2021</u>
Equities	\$1,232,947	\$ 932,163
Certificate of deposit	70,000	
Mutual funds	<u>685,502</u>	<u>255,884</u>
Total assets at fair value	<u>\$1,988,449</u>	<u>\$1,188,047</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Investments

The following table summarizes the Agency's investments and accumulated unrealized appreciation (depreciation) by investment class:

	<u>June 30, 2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities	\$1,125,697	\$1,232,947	\$107,250
Money market funds	48,992	48,992	
Mutual funds	<u>727,632</u>	<u>685,502</u>	<u>(42,130)</u>
Total investments at fair value	<u>\$1,902,321</u>	<u>\$1,967,441</u>	<u>\$ 65,120</u>
	<u>June 30, 2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Equities	\$ 560,930	\$ 932,163	\$ 371,233
Money market funds	30,710	30,710	
Mutual funds	<u>170,300</u>	<u>255,884</u>	<u>85,584</u>
Total investments at fair value	<u>\$ 761,940</u>	<u>\$1,218,757</u>	<u>\$ 456,817</u>

Some of the investments listed above are intended to be used to pay for deferred compensation arrangements. See Note 13 for additional information about investments relating to deferred compensation arrangements.

Note 5. Housing Program - Notes Receivable and Other Payables

The Agency constructs affordable housing using various financing arrangements as subsidies for buyers. To facilitate the sale of these homes, the Agency will hold a note on the property. There are currently two notes outstanding, all of which are secured by either a second or third mortgage, and are non-interest bearing. These notes are reflected as notes receivable - housing program on the consolidated statements of financial position and total \$6,851 and \$86,130 at June 30, 2022 and 2021, respectively.

In the year ended June 30, 2021, there were other notes receivable totaling \$59,292. The notes are repaid upon any future sale of the property, after which the Agency is required to reinvest the funds received back into the program, so an offsetting liability was recorded in other payable - housing program on the consolidated statements of financial position for the year ended June 30, 2021. None of these notes receivable were outstanding as of June 30, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Long-term debt at June 30, 2022 and 2021 consisted of the following (all terms, collateral, and interest rates are presented as of June 30, 2022):

	<u>2022</u>	<u>2021</u>
Indiana Members Credit Union, formerly The Commerce Bank, unsecured note in one installment of \$390,853 through March 2023, including interest at a variable rate of 3.25%.	\$ 390,853	\$ 390,853
The New Washington State Bank, in monthly installments of \$533, including interest at 2.65% through October 2021, secured by a vehicle. The loan was paid off during the year.		2,092
Ford Motor Credit, in monthly installments of \$444, including interest at 0% through September 2022, secured by a vehicle.	1,330	6,652
First Financial Bank, in monthly installments of \$3,850, through December 2022, including interest at 5.19%, secured by real estate.	508,452	529,326
Centra Credit Union, in monthly installments of \$4,854 including interest at 4.50% through November 2022, and a final installment of principal and accrued interest not yet paid through December 2022, secured by real estate.	562,142	583,825
Centra Credit Union, in monthly installments of \$10,108 through January 2023, including interest at 5.25%, renewed with monthly installments of \$10,165, including interest at a 3.90% in May 2020, secured by real estate.	1,046,529	1,124,957
The New Washington State Bank, in monthly installments of \$526, including interest at 4.25% through March 2030, secured by real estate.	43,896	46,437
The New Washington State Bank, in monthly installments of \$526, including interest at 4.25% through March 2030, secured by real estate.	43,869	46,418
Indiana Housing and Community Development Authority, in annual installments of \$22,053, including interest at 3.00% through January 2032, secured by real estate.	383,976	394,203
Indiana Housing and Community Development Authority, in annual installments of \$25,510, including interest at 3.00% through July 2033, secured by real estate.	462,295	461,846
Indiana Housing and Community Development Authority, in annual installments of \$25,510, including interest at 3.00% through December 2033, secured by real estate.	476,868	500,000
Indiana Housing and Community Development Authority, in annual installments of \$5,612, including interest at 3.00% through January 2034, secured by real estate.	94,647	94,647
Indiana Housing and Community Development Authority, in annual installments of \$25,510, including interest at 3.00% through January 2034, secured by real estate.	467,517	478,666

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	<u>2022</u>	<u>2021</u>
Indiana Housing and Community Development Authority, in annual installments of \$25,510, including interest at 3.00% through March 2034, secured by real estate.	468,152	478,748
Indiana Members Credit Union, formerly The Commerce Bank, in monthly installments of \$6,414, including interest at 4.90% through June 2034, and final installment of principal and accrued interest not yet paid through July 2034, secured by real estate.	1,035,458	1,056,983
Centra Credit Union, in monthly installments of \$2,365, including interest at a variable rate of 4.50% through September 2034, and a final installment of principal and accrued interest not yet paid through October 2034, secured by real estate.	340,484	353,110
First Savings Bank, in monthly installments of \$4,201, including interest at a variable rate of 4.50% through October 2034, and a final installment of principal and accrued interest not yet paid through November 2034, secured by real estate.	712,681	725,084
Centra Credit Union, in one installment of \$98,470 plus all accrued interest through May 2023, including interest at a variable rate of 5.25%.	98,470	
Indiana Housing and Community Development Authority, in annual installments of \$12,130, including interest at 3.00% through April 2037, secured by real estate.	<u>210,813</u>	<u>215,340</u>
Total notes payable	7,348,432	7,489,187
Less current portion	<u>(763,357)</u>	<u>(654,471)</u>
	<u>\$6,585,075</u>	<u>\$6,834,716</u>

The net book value of all collateralized property is approximately \$12,100,000.

A five-year summary of long-term debt that will become due is presented below:

<u>Years ending June 30,</u>	
2023	\$ 763,357
2024	269,718
2025	281,234
2026	293,134
2027	305,502
Thereafter	<u>5,435,487</u>
	<u>\$7,348,432</u>

Total interest expense was \$354,218 and \$398,482 for the years ended June 30, 2022 and 2021, respectively, for the notes. A portion of interest expense is included in rental properties expense for the years ended June 30, 2022 and 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Short-Term Bank Borrowings

The Agency has three lines of credit with Centra Credit Union totaling \$2,000,000. On April 7, 2022, the lines were renewed to a new maturity date of April 7, 2023. The lines of credit bear interest at prime plus 0.5%. At June 30, 2022, the interest rate on the lines was 5.25%. The lines are secured by real estate and commercial security agreement of the Agency. The outstanding borrowings on the lines are \$713,000 as of June 30, 2022. There were no outstanding borrowings as of June 30, 2021.

Note 8. Grants and Fees Receivable

At June 30, 2022 and 2021, grant and fees receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Indiana Department of Family and Children Services	\$384,572	\$437,531
Indiana State Department of Health	142,976	130,861
Medicaid Waiver	136,154	123,627
County Tax		63,752
Other	13,162	6,632
Indiana Family Health Council	29,003	39,758
Vocational Rehab	13,298	24,082
Department of Mental Health (Title XX)	<u>1,025</u>	<u>1,035</u>
	<u>\$720,190</u>	<u>\$827,278</u>

Note 9. Small Business Administration Funding

On May 1, 2020, the Agency qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$1,028,700 (PPP Loan 1). PPP Loan 1 bore interest at a fixed rate of 1.0% per annum. Interest was deferred during the deferral period, which ended on the date that the loan forgiveness amount was remitted by the U.S. Small Business Administration to the lender, or ten months after the end of the covered period, for those borrowers who do not apply for forgiveness. The loan was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of PPP Loan 1 was subject to forgiveness under the Paycheck Protection Program upon the Agency's request, to the extent that the PPP loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent obligations, and covered utility payments incurred by the Agency. The Agency received notice of forgiveness of PPP Loan 1 from the Small Business Administration on June 9, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In February 2021, the Agency qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$1,014,715 (PPP Loan 2). PPP Loan 2 bore interest at a fixed rate of 1.0% per annum. Interest was deferred during the deferral period, which ended on the date that the loan forgiveness amount was remitted by the U.S. Small Business Administration to the lender, or ten months after the end of the covered period, for those borrowers who do not apply for forgiveness. The loan was unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of PPP Loan 2 was subject to forgiveness under the Paycheck Protection Program upon the Agency's request, to the extent that the PPP loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent obligations, and covered utility payments incurred by the Agency.

The Agency accounts for the PPP loan proceeds using the FASB ASC 958-908 Conditional Contribution model. Under this model, the Agency may account for the funds received as revenue when the program conditions have been substantially met. As of June 30, 2022, the Agency has met the program conditions for the PPP Loan 2. As such, the Agency has recorded \$1,014,715 as other revenue in the consolidated statement of activities for the year ended June 30, 2022. PPP Loan 2 was included in deferred revenue for the year ended June 30, 2021 as the Agency did not feel it had yet met the program conditions for the PPP Loan 2. The Agency has recorded \$970,385 of the \$1,028,700 of proceeds of PPP Loan 1 as other revenue in the consolidated statement of activities for the year ended June 30, 2021. \$58,315 of PPP Loan 1 was used for the salaries of an employee who is paid for by an affiliate, New Hope Development Services, Inc. and so was used to reduce the amount due from the affiliate.

Note 10. Operating Leases

The Agency leases office space and equipment from unrelated parties, which are classified as operating leases. All leases are located in Southern Indiana. Total lease expense for the years ended June 30, 2022 and 2021 was approximately \$107,000 and \$105,000 respectively. Certain leases have expired and are now month-to-month agreements. Other leases have terms of one year or more. Future minimum lease payments under these operating leases are as follows:

<u>Years ending June 30,</u>	
2023	\$ 94,826
2024	48,738
2025	34,284
2026	<u>19,999</u>
	<u>\$197,847</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Related Party Transactions

New Hope Services, Inc. has ownership interest and/or control over the following entities:

- Highland Glen, LP - New Hope Services, Inc. is a 99.9999% limited partner & New Highland Inc. .0001% special limited partner
- Willow Trace, LP - New Hope Services, Inc. is a 99.99% limited partner & Willow Trace Holdings, LLC is a .01% general partner
- Rivers Edge, LP - Rivers Edge Holdings, LLC is a .01% general partner
- Forest Glen, LP - New Hope Services, Inc. is a 99.99% limited partner & Forest Glen Holdings, LLC is a .01% general partner
- Davis Zeller Place, L.P. - DZP, LLC is a .01% special limited partner
- M. Fine on Spring, LLC - MFOS Apartments, LLC is a limited partner with .01% ownership
- Lofts at Leasons, L.P. - TLAL Apartments, LLC is a .01% general partner
- Olive Grove Townhomes, L.P. - OGT GP, LLC is a .01% general partner
- Townhomes on Main - Rockville, LP - Townhomes on Main - Rockville, LP is a 99.99% limited partner.

During the year ended June 30, 2022 and 2021, New Hope Services, Inc. recognized developer's fees in the amount of \$104,278 and \$676,396, respectively, resulting from its involvement with the Townhomes on Main, Lofts at Leasons, M. Fine on Spring, and Olive Grove projects. The developer fees were included in miscellaneous income. In prior years, New Hope Development Services, LLC earned developer's fees resulting from its involvement with the Willow Trace, Rivers Edge, and Forest Glen projects. These developer's fee receivables are anticipated to be received over a period of time not to exceed 15 years. The Agency has established an allowance account to recognize potential unrecoverable developer's fee receivable.

The amount of receivables from related parties at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Davis Zeller Place, LP		\$ 300,726
M. Fine on Spring, LLC	\$ 2,804	968,469
Olive Grove Townhomes, L.P.	249,503	335,562
Townhomes on Main - Rockville, LP		115,594
Lofts at Leasons, L.P.	<u>171,675</u>	<u>171,675</u>
Receivable - related party	423,982	1,892,026
Plus advances to related parties	1,960,071	1,095,814
Less allowance for uncollectable receivables/advances	<u>(640,177)</u>	<u>(2,010,491)</u>
Total receivable - related party, net	1,743,876	977,349
Less current portion, as included in development costs	<u>(1,743,876)</u>	<u>(977,349)</u>
	<u>\$</u>	<u>\$</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Included in advances to related parties are funds advanced to Willow Trace, LP and M. Fine to meet various operating needs of the respective entities. These related party receivables total \$156,827 and are included as part of other current assets on the consolidated statements of financial position.

The Agency has several notes payable to New Washington State Bank and Centra Credit Union. Pat Daily, a board member, is Executive Vice-President at New Washington State Bank. Chris Bottorff, a board member, was President of the Southern Region at Centra Credit Union during the period under audit and is now Executive Vice President and Chief Strategy Officer at New Washington State Bank. The Agency's investments are managed by Baird Financial Group. Brad Walker, a board member, is the financial advisor on the investment accounts. A portion of the Agency's legal services were provided by Applegate, Fifer, Pulliam Attorneys and Alan Applegate is a board member.

The Agency has management in common with New Hope Development Services, Inc. As of June 30, 2022 and 2021, \$1,695,766 and \$825,969, respectively, was due from New Hope Development Services, Inc. to the Agency. On July 1, 2020, the Agency signed an agreement to provide management services with New Hope Development Services, Inc. to be paid \$225,000 annually for providing management services. New Hope Services earned \$225,000 for management fees in both years ended June 30, 2022 and 2021. The Agency is also a co-borrower on \$696,000 of loans used by New Hope Development Services, Inc. to purchase property for development.

Note 12. Compensated Absences

Employees of the Agency are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. The Agency's policy for vacation days does not allow unused vacation time to be carried to a future period. It is impractical for the Agency to estimate the amount of compensation for future absences relating to illness. In addition, sick days do not vest to the employee without an illness-related absence. Accordingly, no liability for compensated absences has been recorded in the accompanying consolidated financial statements.

Note 13. Retirement and Deferred Compensation Plan

The Agency has a 401(k) retirement plan (the Plan) for employees who meet certain eligibility requirements as to age and length of service. The Agency may make a contribution at management's discretion. Total contributions to the Plan by the Agency were \$173,302 and \$152,401 for the years ended June 30, 2022 and 2021, respectively.

The Agency also has an Individual Tax Sheltered Annuity Plan (ITSAP) for its full-time employees who are eligible after completing one year of employment. Employees may contribute to the ITSAP, but the Agency does not match the employees' contribution.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Internal Revenue Code allows tax-exempt organizations to establish deferred compensation plans for certain individuals of the Agency. In a prior year, the Agency established two non-qualified deferred compensation plans (the Plans) for its chief executive officer (CEO). The 457(b) deferred compensation plan limits the amount of contributions to \$20,500 and \$19,500 for the 2022 and 2021 plan years, respectively, plus special catch-up contributions and does not vest with the CEO until retirement or age 72. If the CEO were to be terminated from employment, the Agency would not be required to distribute any contributions or investment earnings. The 457(f) plan is an ineligible nonqualified deferred compensation plan which does not limit the contributions which can be made by the Agency into the Plan.

The Agency has a non-qualified deferred compensation plans for its chief financial officer (CFO), chief administrative officer (CAO), chief operating officer (COO), and President as 457(f) plans. The CAO left the Plan during the year ended June 30, 2021. Contributions by the Agency to all non-qualified deferred compensation plans were \$23,175 and \$107,088 for the years ending June 30, 2022 and 2021, respectively.

The fair value of the investment totaled \$859,029 and \$1,039,880 as of June 30, 2022 and 2021, respectively, and is included in investments on the consolidated statements of financial position. The remaining \$1,108,412 and \$181,876 in investments as of June 30, 2022 and 2021, respectively, is general investments not related to the deferred compensation plan. See Note 4 for additional information regarding Investments.

Note 14. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2022 and 2021 are as follows:

<u>Donor/Purpose</u>	<u>2022</u>	<u>2021</u>
IHCDA Aberdeen Woods Phase I	\$1,100,000	\$1,100,000
IHCDA Aberdeen Woods Phase II	1,150,000	1,150,000
IHCDA Aberdeen Woods Phase III	858,000	858,000
IHCDA Aberdeen Woods Phase IV	616,000	616,000
IHCDA Aberdeen Woods Phase V	850,000	850,000
IHCDA Highland Glen Phase 1	907,750	907,750
IHCDA Highland Glen Phase 2	907,750	907,750
IHCDA Highland Glen Phase 3	<u>950,000</u>	<u>950,000</u>
 Total net assets with donor restrictions	 <u>\$7,339,500</u>	 <u>\$7,339,500</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15. Governmental Agencies' Support

Governmental agencies' support consisted of the following:

	<u>2022</u>	<u>2021</u>
Program service fees:		
Indiana Family and Social Services Administration	\$ 254,285	\$ 279,349
Title XX	11,353	14,353
Medicaid	1,743,695	1,471,787
WIC	1,783,385	1,659,111
Indiana Dept. of Family and Children's Services	2,163,048	2,272,607
Miscellaneous fees	<u>78,076</u>	<u>37,954</u>
	<u>6,033,842</u>	<u>5,735,161</u>
Grants:		
HCBS Grant	100,985	
BDDS Grant	11,596	89,940
Indiana Family Health Council (Title X)	<u>238,979</u>	<u>243,855</u>
	<u>351,560</u>	<u>333,795</u>
Taxes:		
County taxes	<u>640,074</u>	<u>727,360</u>
 Total governmental agencies' support	 <u>\$7,025,476</u>	 <u>\$6,796,316</u>

Note 16. Health Insurance Benefits

During the year ending June 30, 2014, the Agency began employing a health insurance strategy utilizing a self-insured program. The Agency contributed \$25,000 to a self-insured entity, Contrarian Holdings, LLC, and accounted for this interest utilizing the cost method of accounting. The entity utilized a third party administrator and the plan included a deductible of \$25,000 per claim in conjunction with reinsurance for larger claims. As of June 30, 2021, the self-insurance program was replaced with a traditional insurance program.

The Agency contributed a portion of the cost of the insurance. Contributions by the Agency to the plan were \$329,232 during the year ending June 30, 2021. There were no contributions in the year ended June 30, 2022. A cash account has been established from which to pay claims and premiums for reinsurance, as well as a corresponding liability representing the obligation to pay claims. At June 30, 2022 and 2021, the residual asset related to the Agency's self-insurance program was \$18,778 each year. The residual liability was \$74,749 and \$63,401 in the year ended June 30, 2022 and 2021, respectively. The asset is included in cash and the liability is included in accrued wages and other accrued liabilities on the consolidated statements of financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17. Department of Labor Wage Settlement

The Fair Labor Standards Act provides for employment of persons with certain disabilities at wage rates below the federal minimum wage rates after receiving a certificate from the U.S. Department of Labor which must be kept current to qualify for the different wage rates.

The DOL investigated the Agency's wages for the period July 23, 2018 through January 6, 2020. The investigation determined that certain Career Counseling Information & Referral Services (CCIR) were not provided by the Agency in a timely fashion which resulted in an assessment of additional wages totaling \$154,443. This amount is payable through November 2022 in monthly payments beginning December 2021.

Future payments on the wage settlement are \$64,351, to be paid in the year ended June 30, 2023.

Note 18. Concentration of Risk

Cash Concentration Risk

The Agency maintains its cash with various financial institutions which, at times may exceed the amounts insured by the Federal Deposit Insurance Corporation and National Credit Union Administration of \$250,000 per financial institution.

Group Concentration Risk

The Agency is substantially funded by grants and contracts awarded directly and indirectly by the Federal Government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangement to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

NEW HOPE SERVICES, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Award</u>
U.S. Department of Health and Human Services			
Passed through from Indiana Family Health Council:			
Temporary Assistance for Needy Families	93.558	N/A	\$ 46,499
Family Planning Services - Title X	93.217	N/A	152,015
BDDS Grant	None	N/A	11,596
Social Services Block Grant	93.667	N/A	<u>21,305</u>
Total U.S. Department of Health and Human Services			<u>231,415</u>
Department of Housing and Urban Development			
Passed through from Indiana Housing and Community Development Authority:			
Home Investment Partnership Program	14.239	HML-016-005	<u>500,000</u>
Total U.S. Department of Housing and Urban Development			<u>500,000</u>
U.S. Department of Agriculture			
Passed through from Indiana State Department of Health:			
Special Supplemental Nutrition Program for Women, Infant, and Children (WIC)	10.557	000000038136 61900/573100/ 307000	465,367
Special Supplemental Nutrition Program for Women, Infant, and Children (WIC)	10.557	0000000058068 61900/573100/ 307000	<u>1,318,018</u>
Total U.S. Department Agriculture			<u>1,783,385</u>
Total expenditures of federal awards			<u><u>\$ 2,514,800</u></u>

The accompanying notes are an integral part of this schedule.

NEW HOPE SERVICES, INC. AND SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Hope Services, Inc. and Subsidiary under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of New Hope Services, Inc. and Subsidiary, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Agency.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. New Hope Services, Inc. and Subsidiary have adopted the procurement requirements specified in the Uniform Guidance.

Note C. Indirect Cost Rate

New Hope Services, Inc. and Subsidiary have elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

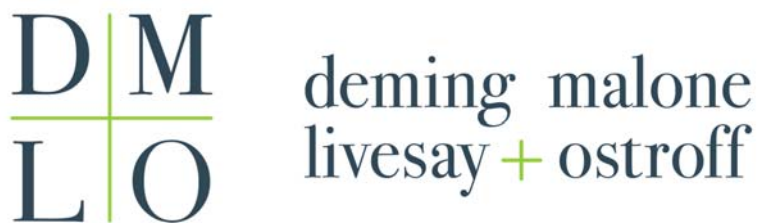
Note D. Loan Balances

The federal loan programs listed subsequently are administered directly by the Agency, and balances and transactions relating to the program are included in the Agency's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding as of June 30, 2022 consists of:

<u>Identification Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2022</u>
AL 14.239	Home Investment Partnership Program	
HML-016-005	IHCDA Highland Glen Phase 1	\$476,868

Note E. Subrecipients

New Hope Services, Inc. and Subsidiary provided no federal funding to subrecipients for the year ended June 30, 2022.



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Consolidated Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Officers and Directors
New Hope Services, Inc. and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of New Hope Services, Inc. and Subsidiary (the Agency) which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered New Hope Services, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hope Services, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

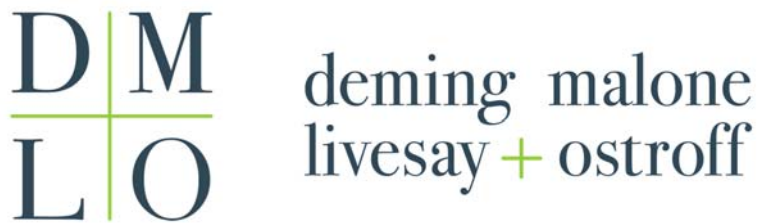
As part of obtaining reasonable assurance about whether New Hope Services, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Deming, Malone, Livesay & Ostroff
New Albany, Indiana
January 31, 2023



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

To the Officers and Directors
New Hope Services, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Hope Services, Inc. and Subsidiary's (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2022. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Hope Services, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New Hope Services, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination New Hope Services, Inc. and Subsidiary's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Hope Services, Inc. and Subsidiary's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Hope Services, Inc. and Subsidiary's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Hope Services, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 New Hope Services, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Hope Services, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Hope Services, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

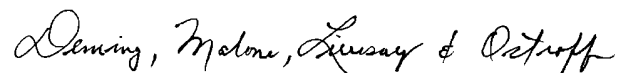
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Deming, Malone, Livesay & Ostroff".

Deming, Malone, Livesay & Ostroff
New Albany, Indiana
January 31, 2023

NEW HOPE SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the consolidated financial statements of New Hope Services, Inc. and Subsidiary were prepared in accordance with GAAP.
2. Internal control over financial reporting:
 - Material weakness identified? yes X no
 - Significant deficiencies identified? yes X none reported
3. No instances of noncompliance material to the consolidated financial statements of New Hope Services, Inc. and Subsidiary, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Internal control over major programs:
 - Material weakness identified? yes X no
 - Significant deficiencies identified? yes X none reported
5. The auditors' report on compliance for the major federal award programs for New Hope Services, Inc. and Subsidiary expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program included the following:

<u>Assistance Listing Number</u>	<u>Name of Major Federal Program</u>
10.557	U.S. Department of Agriculture Special Supplemental Nutrition Program for Women, Infants, and Children
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. New Hope Services, Inc. and Subsidiary qualified as a low-risk auditee.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section II - Financial Statement Findings

There are no findings related to the consolidated financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs (Under Section 2 CFR 200.516(a))

There are no findings or questioned costs required to be reported.