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State Examiner

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May 22, 2025

Board of Directors
New Hope Development Services, Inc.
Clark County, Indiana

We have reviewed the audit report of New Hope Development Services, Inc., which was opined upon by Deming, Malone, Livesay & Ostroff, Independent Public Accountants, for the period July 1, 2022 to June 30, 2023. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of New Hope Development Services, Inc. as of June 30, 2023 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Deming, Malone, Livesay & Ostroff prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

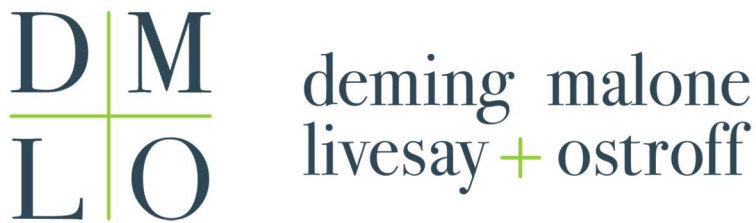
NEW HOPE DEVELOPMENT SERVICES, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of New Hope Development Services, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hope Development Services, Inc. as of June 30, 2023, 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 Financial Statements section of our report. We are required to be independent of New Hope Development Services, Inc. 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 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 New Hope Development Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 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 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 New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'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

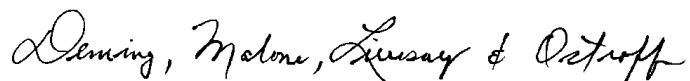
We previously audited New Hope Development Services, Inc.'s financial statements as of June 30, 2022 and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2023. In our opinion, the summarized comparative information on page 6 as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 February 14, 2024, on our consideration of New Hope Development Services, Inc.'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 Development Services Inc.'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 Development Services, Inc.'s internal control over financial reporting and compliance.



Deming, Malone, Livesay & Ostroff
New Albany, Indiana
February 14, 2024

NEW HOPE DEVELOPMENT SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets		
Cash	\$ 185,205	\$ 193,298
Restricted cash	85,501	81,087
Grants receivable	50,201	55,322
Accounts receivable, net	963,730	1,372,962
Due from general partner	3,806	3,806
Due from other related parties	380,624	538,198
Prepaid expenses	725	14,246
Other current assets	<u>10,000</u>	<u>1,000</u>
Total current assets	1,679,792	2,259,919
 Property Held for Sale	 <u>740,899</u>	 <u>2,309,062</u>
 Property and Equipment, Net	 <u>11,624,866</u>	 <u>8,064,217</u>
Total assets	<u>\$ 14,045,557</u>	<u>\$ 12,633,198</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 790,437	\$ 1,163,095
Due to general partner	43,947	24,070
Due to New Hope Services	1,958,780	1,695,766
Due to other related parties	81,053	99,042
Current portion of long-term debt	632,361	1,558,230
Accrued expenses	<u>245,364</u>	<u>217,545</u>
Total current liabilities	<u>3,751,942</u>	<u>4,757,748</u>
 Deposit and Repayment Liabilities		
Tenant security deposits	<u>31,216</u>	<u>26,184</u>
 Long-Term Liabilities		
Notes payable, less current portion	3,453,582	2,615,771
Less unamortized debt issuance costs	<u>(25,722)</u>	<u>(30,672)</u>
Total long-term liabilities	<u>3,427,860</u>	<u>2,585,099</u>
Total liabilities	<u>7,211,018</u>	<u>7,369,031</u>
 Net Assets		
Without donor restrictions	(745,581)	256,023
With donor restrictions	<u>7,580,120</u>	<u>5,008,144</u>
Total net assets	<u>6,834,539</u>	<u>5,264,167</u>
Total liabilities and net assets	<u>\$ 14,045,557</u>	<u>\$ 12,633,198</u>

See Notes to Financial Statements.

NEW HOPE DEVELOPMENT SERVICES, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Public support received directly:			
Contributions	\$ 40,730	_____	\$ 40,730
Governmental Agencies' Support			
Grants	164,240	\$ 2,571,976	2,736,216
Other revenue			
Developer fees	279,344		279,344
Sale of homes	1,659,295		1,659,295
Rental properties	596,407		596,407
Total other revenue	2,535,046	_____	2,535,046
Total support and other revenue	2,740,016	2,571,976	5,311,992
Expenses			
Program services	2,819,509		2,819,509
Management and general	922,111		922,111
Total expenses	3,741,620	_____	3,741,620
Change in net assets	(1,001,604)	2,571,976	1,570,372
Net assets at the beginning of the year	256,023	5,008,144	5,264,167
Net assets at the end of the year	\$ (745,581)	\$ 7,580,120	\$ 6,834,539

See Notes to Financial Statements.

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Public support received directly:			
In-kind contribution - purchase below market valuation	\$ 215,000		\$ 215,000
Contributions	202		202
Total public support	<u>215,202</u>		<u>215,202</u>
Governmental Agencies' Support			
Grants	<u>209,126</u>	<u>\$ 33,468</u>	<u>242,594</u>
Other revenue			
Developer fees	323,719		323,719
Rental properties	<u>569,304</u>		<u>569,304</u>
Total other revenue	<u>893,023</u>		<u>893,023</u>
Total support and other revenue	<u>1,317,351</u>	<u>33,468</u>	<u>1,350,819</u>
Expenses			
Program services	741,059		741,059
Management and general	<u>808,719</u>		<u>808,719</u>
Total expenses	<u>1,549,778</u>		<u>1,549,778</u>
Change in net assets	(232,427)	33,468	(198,959)
Net assets at the beginning of the year	<u>488,450</u>	<u>4,974,676</u>	<u>5,463,126</u>
Net assets at the end of the year	<u>\$ 256,023</u>	<u>\$ 5,008,144</u>	<u>\$ 5,264,167</u>

NEW HOPE DEVELOPMENT SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

With Summarized Totals for the Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>June 30, 2022 Total</u>
Salaries and Related Expenses				
Salaries and wages		\$ 350,651	\$ 350,651	\$ 407,835
Employee benefits		32,615	32,615	65,497
Payroll taxes		<u>19,367</u>	<u>19,367</u>	<u>21,458</u>
Total salaries and related expenses		<u>402,633</u>	<u>402,633</u>	<u>494,790</u>
Operating Expenses				
Cost of homes sold	\$ 1,832,461		1,832,461	
Management fees		225,000	225,000	225,000
Rental property administration	227,094		227,094	163,840
Developer fees	100,000		100,000	
Rental property operations	80,516		80,516	115,413
Utilities	86,339		86,339	77,993
Taxes and insurance	57,141	5,891	63,032	68,395
Interest	82,272	62,269	144,541	59,849
Repairs and maintenance	64,460		64,460	40,877
Professional fees	3,998	17,030	21,028	16,607
Miscellaneous				7,441
Computer supplies		2,566	2,566	4,046
Office expenses		4,100	4,100	3,429
Phones		1,814	1,814	1,564
Dues		740	740	1,532
Training and seminars		1,890	1,890	825
Advertising		646	646	208
Travel		275	275	54
Bad debt	<u>3,152</u>	<u>197,257</u>	<u>200,409</u>	
Total operating expenses	<u>2,537,433</u>	<u>519,478</u>	<u>3,056,911</u>	<u>787,073</u>
Total expenses before depreciation and amortization	2,537,433	922,111	3,459,544	1,281,863
Depreciation and amortization	<u>282,076</u>		<u>282,076</u>	<u>267,915</u>
Total expenses	<u>\$ 2,819,509</u>	<u>\$ 922,111</u>	<u>\$ 3,741,620</u>	<u>\$ 1,549,778</u>
Expenses for the year ended June 30, 2022	<u>\$ 741,059</u>	<u>\$ 808,719</u>	<u>\$ 1,549,778</u>	

See Notes to Financial Statements.

NEW HOPE DEVELOPMENT SERVICES, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,570,372	\$ (198,959)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	282,076	267,915
Amortization of financing fees	4,950	
Bad debt expense	200,409	
(Increase) decrease in:		
Grants receivable	5,121	76,215
Accounts receivable	409,232	(123,644)
Due from other related parties	(42,835)	(274,252)
Prepaid expenses	13,521	1,163
Other current assets	(9,000)	31,890
Increase (decrease) in:		
Accounts payable	(372,658)	(478,682)
Due to general partner	19,877	12,962
Due to New Hope Services	263,014	869,797
Due to other related parties	(17,989)	39,399
Accrued expenses and tenant security deposits	32,851	49,326
Net cash provided by operating activities	2,358,941	273,130
Cash Flows from Investing Activities		
Sale of property held for sale	1,568,163	
Purchase of property and equipment	(2,644,291)	(693,758)
Net cash used in investing activities	(1,076,128)	(693,758)
Cash Flows from Financing Activities		
Proceeds from long-term debt		21,476
Increase in financing fees		(20,583)
Payments made on long-term debt	(1,286,492)	(13,830)
Net cash used in financing activities	(1,286,492)	(12,937)
Net change in cash and restricted cash	(3,679)	(433,565)
Cash and restricted cash at beginning of year	274,385	707,950
Cash and restricted cash at end of year	\$ 270,706	\$ 274,385
Reconciliation of Cash and Restricted Cash		
Cash	\$ 185,205	\$ 193,298
Restricted cash	85,501	81,087
Cash and restricted cash at end of year	\$ 270,706	\$ 274,385

See Notes to Financial Statements.

NEW HOPE DEVELOPMENT SERVICES, INC.

STATEMENTS OF CASH FLOWS, continued

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Investing Activities		
Purchase of property and equipment:		
Cost of property and equipment	\$ (3,842,725)	\$ (2,570,004)
Property and equipment acquired with notes payable	<u>1,198,434</u>	<u>1,876,246</u>
Net cash paid for purchases of property and equipment	<u>\$ (2,644,291)</u>	<u>\$ (693,758)</u>
Financing Activities		
Cash receipts from debt:		
Gross proceeds used for long-term debt	\$ 1,198,434	\$ 1,897,722
Proceeds used to purchase property and equipment	<u>(1,198,434)</u>	<u>(1,876,246)</u>
Net proceeds from the issuance of notes payable	<u>\$</u>	<u>\$ 21,476</u>
Cash paid for interest	<u>\$ 109,959</u>	<u>\$ 41,605</u>

See Notes to Financial Statements.

NEW HOPE DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

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

Nature of Organization:

New Hope Development Services, Inc. (the Organization) was organized in March 2017 as an Indiana public benefit corporation for the purpose of fostering, promoting, developing, and providing housing that is safe, decent, and affordable to low-income and moderate-income individuals in Indiana.

Summary of significant accounting policies:

The summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements are representations of the Organization's management who is responsible for the integrity and objectivity of the 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 financial statements.

Basis of accounting:

The accompanying 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 Organization 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.

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions. The Organization'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.

NOTES TO FINANCIAL STATEMENTS

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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Cash, restricted cash, and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2023 and 2022.

Restricted cash consists of cash required to be used or held for specific purposes, such as grant deliverables and reserves for replacement. The Organization also maintains a separate account for 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.

Accounts and grants receivable:

Accounts and grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and reserves against any balances deemed uncollectible. As of June 30, 2023 and 2022, an allowance of \$363,238 and \$80,602, respectively had been recorded for the developer fees receivable. All other receivables are considered fully collectible at year-end by management.

The Organization's opening and closing balances of accounts and grants receivables for 2023 and 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Accounts receivable	\$963,730	\$1,372,962	\$1,249,318
Grants receivable	50,201	55,322	131,537

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.

NOTES TO FINANCIAL STATEMENTS

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 40 years for buildings, 25 years for building renovations, and 7-10 years for equipment.

The Organization 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.

As of June 30, 2023 and 2022, the Organization has the Winthrop properties in the process of development.

Advertising:

The Organization expenses advertising costs when incurred. Advertising costs were \$646 and \$208 for the years ended June 30, 2023 and 2022, respectively.

Functional allocation of expenses:

The 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 or specific identification of costs.

The June 30, 2023 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 Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Income taxes:

The Organization 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 Organization 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 Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management does not believe that the Organization has unrelated business income for the years ended June 30, 2023 and 2022.

As of June 30, 2023 and 2022, the Organization 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.

NOTES TO FINANCIAL STATEMENTS

Revenue recognition:

Contract revenue, as defined under ASC 606, is derived primarily from providing property development services for low-income housing construction and renovation.

Revenue recognized over time:

The Organization recognizes revenue from development 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 Organization expects to be entitled to in exchange for services rendered. The consideration promised in a contract is a fixed amount, and payments are due upon invoicing.

The Organization 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 Organization's operations and program services may be impacted if funding is significantly decreased.

Rental property revenue:

Revenue from rentals is recorded as earned over the life of the lease.

In-kind contributions:

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

Property sold under fair value for Oakland City	\$215,000
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There were no in-kind donations for the year ended June 30, 2023.

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-kind contributions for the years ended June 30, 2023 and 2022. In-kind contributions were used to support general programming during the years ended June 30, 2023 and 2022. There were no donor restrictions on in-kind contributions for the years ended June 30, 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

Contributions and grants:

Contributions and grants are recognized when the donor or grantor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants which are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. If explicit donor stipulations are absent about how long long-lived assets acquired through donation must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Reclassifications

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

Newly issued standard not yet effective:

The FASB has issued the accounting standard, ASU No. 2016-13, *Financial Instruments-Credit Losses*, effective for fiscal years beginning after December 15, 2022.

The Organization is evaluating the impact of this standard on future financial statements.

Date of management's review:

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

Note 2. Liquidity and Availability

Funds available for general expenditures as of June 30, 2023 and 2022 include the following:

	<u>2023</u>	<u>2022</u>
Cash	\$ 185,205	\$ 193,298
Grants receivable	50,201	55,322
Accounts receivable	<u>963,730</u>	<u>1,372,962</u>
	<u>\$1,199,136</u>	<u>\$1,621,582</u>

NOTES TO FINANCIAL STATEMENTS

New Hope Development Services, Inc. is supported by contributions through various government grants and donors. Revenues from the government grants are on a cost reimbursement basis, most of which are considered donor-restricted for housing development purposes. At June 30, 2023 and 2022, the Organization had cash and receivables to be used within one year of the statement of financial position date to meet needs for general expenditures.

The Organization 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.

Note 3. Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 701,205	\$ 701,205
Aberdeen Woods VI	1,536,499	1,536,499
Aberdeen Woods VII	790,320	789,795
Highland Place	1,500,214	1,500,186
Highland Woods	1,587,974	1,568,240
River's Edge	2,301,925	2,301,925
Clarksville	28,880	24,212
White River Landing	1,949,869	54,273
Rockport	1,904,335	26,621
Highland View-Scottsburg	25,051	1,434
White River Landing 2	6,751	
Oakland Gardens	7,179	
Equipment	<u>37,458</u>	<u>30,545</u>
	12,377,660	8,534,935
Accumulated depreciation	<u>(752,794)</u>	<u>(470,718)</u>
Property and equipment, net	<u>\$11,624,866</u>	<u>\$8,064,217</u>

Note 4. Property Held for Sale

The Organization is developing properties for sale as low income housing. During the year ended June 30, 2022, the Organization purchased and developed ten properties, totaling \$2,309,062. During the year ended June 30, 2023, the Organization sold seven of the properties for a total of \$1,659,295. Three homes were still available for sale at June 30, 2023 in the amount of \$740,899. The Organization expects all properties to be sold within a year.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

Long-term debt at June 30 consisted of the following (all terms and collateral values are as of June 30, 2023):

	<u>2023</u>	<u>2022</u>
Indiana Housing and Community Development Authority term loan accruing interest at 3.00%, with annual payments of \$25,510, maturing April 2034, secured by real estate with a net book value of approximately \$1,431,000.	\$ 479,064	\$ 500,000
Indiana Housing and Community Development Authority term loan accruing interest at 3.00% with annual payments of \$21,938, maturing September 2034, secured by real estate with a net book value of approximately \$1,521,000.	334,945	342,108
Centra Credit Union business loan accruing interest at a variable interest rate (6.00% as of June 30, 2023), monthly payments of \$3,181 with a balloon payment at maturity, secured by real estate with a net book value of approximately \$2,205,000. Maturity date of November 2034.	443,098	459,126
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of April 2023, secured by real estate with a net book value of approximately \$734,000. In April 2023, the loan was converted to a 3.00% interest term loan with annual payments of \$16,275 and a maturity date of April 2037.	312,295	319,000
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of August 2023, secured by real estate with a net book value of approximately \$1,927,000.	435,000	435,000
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of February 2023, secured by real estate with a net book value of approximately \$2,156,000. In February 2023, the loan was converted to a 3.00% interest term loan with annual payments of \$25,510 and a maturity date of February 2037.	242,521	242,521

NOTES TO FINANCIAL STATEMENTS

	<u>2023</u>	<u>2022</u>
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of August 2023, secured by real estate with a net book value of approximately \$1,904,335.	657,761	68,683
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of August 2023, secured by real estate with a net book value of approximately \$1,949,869.	615,609	6,253
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate with a net book value of approximately \$236,000.	208,850	208,850
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.		199,650
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate with a net book value of approximately \$235,000.	178,400	178,400
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate with a net book value of approximately \$233,000.	178,400	178,400
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate with a net book value of approximately \$233,000.		178,400
New Washington State construction loan accruing interest on advances at 4.25%, maturing December 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.		161,600
Centra construction loan accruing interest on advances at 4.25%, maturing March 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.		172,010

NOTES TO FINANCIAL STATEMENTS

	<u>2023</u>	<u>2022</u>
Centra construction loan accruing interest on advances at 4.25%, maturing March 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.		172,000
Centra construction loan accruing interest on advances at 4.25%, maturing March 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.		176,000
Centra construction loan accruing interest on advances at 4.25%, maturing March 2023, secured by real estate. Paid off during the year ending June 30, 2023 with sale of home.	<u> </u>	<u>176,000</u>
Less current portion	4,085,943	4,174,001
Less unamortized debt issuance costs	(632,361)	(1,558,230)
	<u>(25,722)</u>	<u>(30,672)</u>
Notes payable, less current portion	<u>\$3,427,860</u>	<u>\$2,585,099</u>

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

<u>Year ending June 30</u>	
2024	\$ 632,361
2025	105,286
2026	141,052
2027	143,557
2028	146,085
Thereafter	<u>2,917,602</u>
	<u>\$4,085,943</u>

Note 6. Debt Covenants

The debt of the Organization includes, as a part of the loan agreements, covenants that require the Organization to maintain the following financial ratio:

Minimum Debt Service Ratio of not less than 1.1

At June 30, 2023, the Organization was not aware of any non-compliance with debt covenants.

NOTES TO FINANCIAL STATEMENTS

Note 7. Related Party Transactions

The Organization has management in common with New Hope Services, Inc. Additionally, the Organization assists in the development various low-income housing properties, including low-income housing tax credit properties. As of June 30, the Organization has the following amounts due from related parties:

	<u>2023</u>	<u>2022</u>
General partner	\$ 3,806	\$ 3,806
Other related parties	<u>380,624</u>	<u>538,198</u>
	<u>\$384,430</u>	<u>\$542,004</u>

As of June 30, the Organization has the following amounts due to related parties:

	<u>2023</u>	<u>2022</u>
New Hope Services, Inc.	\$1,958,780	\$1,695,766
General partner	43,947	24,070
Other related parties	<u>81,053</u>	<u>99,042</u>
	<u>\$2,083,780</u>	<u>\$1,818,878</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions, subject to the passage of time, as of June 30, 2023 and 2022 are as follows:

	<u>Balance</u> <u>6/30/2022</u>	<u>Grants with</u> <u>Donor</u> <u>Restrictions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/2023</u>
IHCDA Aberdeen Woods Phase VI	\$ 931,976			\$ 931,976
IHCDA Aberdeen Woods Phase VII	566,099			566,099
IHCDA Highland Place	1,275,001			1,275,001
IHCDA Highland Woods	914,000			914,000
IHCDA Rockport	29,556	\$1,283,576		1,313,132
IHCDA White River Landing	16,512	1,288,400		1,304,912
IHCDA River's Edge	<u>1,275,000</u>	<u> </u>	<u> </u>	<u>1,275,000</u>
Total net assets with donor restrictions	<u>\$5,008,144</u>	<u>\$ 2,571,976</u>	<u> </u>	<u>\$7,580,120</u>

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions, subject to the passage of time, as of June 30, 2022 were as follows:

	<u>Balance</u> <u>6/30/2021</u>	<u>Grants with</u> <u>Donor</u> <u>Restrictions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/2022</u>
IHCDA Aberdeen Woods Phase VI	\$ 931,976			\$ 931,976
IHCDA Aberdeen Woods Phase VII	566,099			566,099
IHCDA Highland Place	1,275,001			1,275,001
IHCDA Highland Woods	914,000			914,000
IHCDA Rockport	12,600	\$ 16,956		29,556
IHCDA White River Landing		16,512		16,512
IHCDA River's Edge	<u>1,275,000</u>	<u> </u>	<u> </u>	<u>1,275,000</u>
Total net assets with donor restrictions	<u>\$4,974,676</u>	<u>\$ 33,468</u>	<u> </u>	<u>\$5,008,144</u>

Note 9. Retirement Plan

The Organization participates in New Hope Services, Inc.'s 401(k) plan (the "Plan"). The Plan is for employees who meet certain eligibility requirements as to age and length of service. The Organization may make a contribution at management's discretion. Total contributions made to the 401(k) plan by the Organization for the years ended June 30, 2023 and 2022, was \$17,753 and \$20,081, respectively.

Note 10. Compensated Absences

Employees of the Organization are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. The Organization's policy for vacation days does not allow unused vacation time to be carried to a future period. It is impractical for the Organization 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 has been recorded in the accompanying financial statements.

Note 11. Concentrations of Risk

Cash Concentration Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances.

NOTES TO FINANCIAL STATEMENTS

Group Concentration Risk

The Organization 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.

At June 30, 2023 and 2022, grants receivable from the Indiana Housing and Community Development Authority totaled \$50,201 and \$55,322, respectively. Revenues from the Indiana Housing and Community Development Authority are detailed in Note 12.

Note 12. Governmental Agencies' Support

Governmental agencies' support consisted of the following:

	<u>2023</u>	<u>2022</u>
Operational Grants:		
Indiana Housing and Community Development Authority	\$ <u>25,881</u>	\$ <u>54,646</u>
Grants:		
Rockport	1,366,155	53,140
White River Landing	<u>1,344,180</u>	<u>134,808</u>
	<u>2,710,335</u>	<u>187,948</u>
Total government agencies' support	<u>\$2,736,216</u>	<u>\$242,594</u>

Note 13. Real Estate - Housing

The Organization planned the development of Rockport for the construction of residential housing units in Spencer County, Indiana. During the years ended June 30, 2023 and 2022, construction and related development costs for Rockport totaled \$1,904,335 and \$26,621, respectively.

The Organization planned the development of White River Landing for the construction of residential housing units in Scott County, Indiana. During the years ended June 30, 2023 and 2022, construction and related development costs for White River Landing totaled \$1,949,869 and \$54,273, respectively.

The Organization planned the development of Clarksville for the construction of residential housing units in Clark County, Indiana. During the years ended June 30, 2023 and 2022, construction and related development costs for Clarksville totaled \$28,880 and \$24,212, respectively.

NOTES TO FINANCIAL STATEMENTS

The Organization planned the development of Highland View-Scottsburg for the construction of residential housing units in Scott County, Indiana. During the years ended June 30, 2023 and 2022, construction and related development costs for Highland View-Scottsburg totaled \$26,051 and \$1,434, respectively.

Note 14. Subsequent Events

The remaining properties for sale listed in Note 4 were sold subsequent to June 30, 2023 with total proceeds of \$677,899.

NEW HOPE DEVELOPMENT SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Federal Grantor/Pass Through Grantor/Program Title	Federal AL Number	PassThrough Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through from Indiana Housing and Community Development Authority:			
CHDO Supplement Grant	14.239	CO-019-014	\$ 3,528
CHDO Supplement Grant	14.239	CO-020-006	18,158
Home Investment Partnership Program	14.239	CH-02-005	1,366,155
Home Investment Partnership Program	14.239	CH-02-006	1,344,180
Home Investment Partnership Program	14.239	CH-21-010	76,852
Pre-Development Grant	14.239	PD-022-003	6,151
Pre-Development Grant	14.239	PD-022-002	4,764
CHDO Supplement Grant	14.239	CO-021-009	<u>43,007</u>
 Total expenditures of federal awards			 <u>\$ 2,862,795</u>

The accompanying notes are an integral part of this schedule.

NEW HOPE DEVELOPMENT SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Hope Development Services, Inc. under programs of the federal government for the year ended June 30, 2023. 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 Development Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B. Summary of Significant Accounting Policies

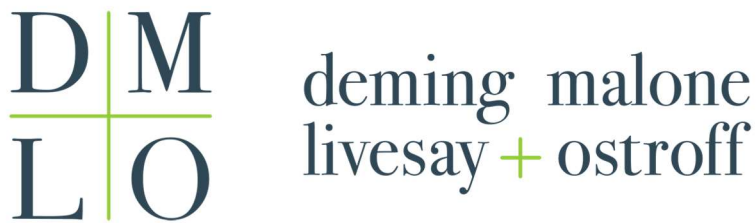
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not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

Note C. Indirect Cost Rate

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

Note D. Subrecipients

New Hope Development Services, Inc. provided no federal funding to subrecipients for the year ended June 30, 2023.



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

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

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 financial statements of New Hope Development Services, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hope Development Services, Inc. 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hope Development Services, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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. 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

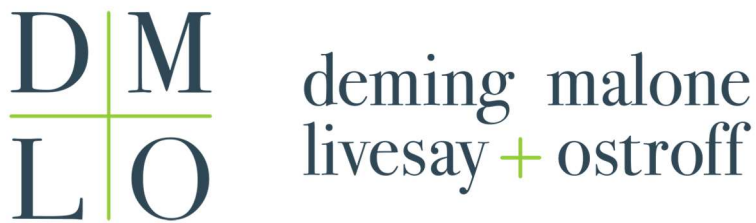
As part of obtaining reasonable assurance about whether New Hope Development Services, Inc. financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Deming, Malone, Livesay & Ostroff
New Albany, Indiana
February 14, 2024



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 Development Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Hope Development Services, Inc.'s (the Organization) 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 Organization's major federal programs for the year ended June 30, 2023. 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 Development Services, Inc. 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, 2023.

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 Development Services, Inc. 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 that New Hope Development Services, Inc. is in 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 Development Services, Inc. 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 Development Services, Inc. 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 Development Services, Inc. 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 Development Services, Inc. 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 Development Services, Inc. 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 Development Services, Inc. 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 in internal control over compliance. 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
February 14, 2024

NEW HOPE DEVELOPMENT SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Section II - Financial Statement Findings

There are no findings related to the 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.