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August 21, 2019

Board of Directors
New Hope Services, Inc.
725 Wall Street
Jeffersonville, IN 47130

We have reviewed the audit report of New Hope Services, Inc. which was opined upon by Rodefer Moss & Co., PLLC, Independent Public Accountants, for the period July 1, 2017 to June 30, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition New Hope Services, Inc. as of June 30, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Rodefer Moss & Co., PLLC, prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Financial Statements and Supplementary Information
June 30, 2018 and 2017

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Financial Statements and Supplementary Information
June 30, 2018 and 2017

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Hope Services, Inc. and Subsidiary (non-profit organizations), which comprise the consolidated statements of financial position as of June 30, 2018, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2018, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Hope Services, Inc. and Subsidiary's consolidated financial statements as of June 30, 2017, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

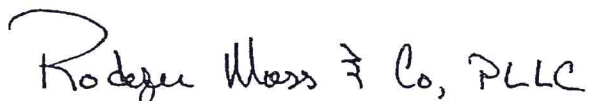
Other Matters

Other 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 December 5, 2018, 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.'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.



Rodefer Moss & Co, PLLC
New Albany, Indiana
December 5, 2018

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 915,796	\$ 884,942
Accounts receivable - workshop contracts, net	31,319	33,228
Grants and fees receivable, net	944,504	978,632
Investments	491,919	393,010
Inventory	2,254	1,500
Development costs	1,544,581	627,094
Other current assets	<u>96,094</u>	<u>82,435</u>
Total current assets	<u>4,026,467</u>	<u>3,000,841</u>
Property and Equipment		
Land	1,307,810	1,115,906
Buildings and improvements	19,605,490	15,286,948
Equipment and vehicles	1,380,829	1,563,233
Construction in progress	<u>-</u>	<u>405,477</u>
	22,294,129	18,371,564
Less accumulated depreciation	<u>(5,572,028)</u>	<u>(5,139,703)</u>
Property and equipment, net	<u>16,722,101</u>	<u>13,231,861</u>
Other Assets		
Receivable - related party, net	23,869	30,527
Other long-term assets	67,421	67,421
Notes receivable - Housing Program	<u>112,182</u>	<u>113,979</u>
Total other assets	<u>203,472</u>	<u>211,927</u>
Total assets	<u>\$ 20,952,040</u>	<u>\$ 16,444,629</u>

LIABILITIES AND NET ASSETS	<u>2018</u>	<u>2017</u>
Current Liabilities		
Short-term bank borrowings	\$ 1,881,000	\$ 759,000
Notes payable, current portion	607,420	1,463,734
Capital leases payable, current portion	-	3,163
Accounts payable	735,520	785,054
Accrued wages and other accrued liabilities	<u>1,104,414</u>	<u>1,019,029</u>
Total current liabilities	<u>4,328,354</u>	<u>4,029,980</u>
Other Liabilities		
Notes payable, less current portion	7,399,972	5,492,848
Other payable - Housing Program	<u>58,853</u>	<u>61,975</u>
Total other liabilities	<u>7,458,825</u>	<u>5,554,823</u>
Total liabilities	<u>11,787,179</u>	<u>9,584,803</u>
Net Assets		
Unrestricted	1,825,361	2,117,133
Temporarily restricted	<u>7,339,500</u>	<u>4,742,693</u>
Total net assets	<u>9,164,861</u>	<u>6,859,826</u>
Total liabilities and net assets	<u>\$ 20,952,040</u>	<u>\$ 16,444,629</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Public Support			
Public support received directly:			
Contributions	\$ 145,137	\$ -	\$ 145,137
Total public support	145,137	-	145,137
Governmental Agencies' Support			
Program service fees	6,474,872	-	6,474,872
Grants	222,648	2,596,807	2,819,455
Taxes	645,258	-	645,258
Total governmental agencies' support	7,342,778	2,596,807	9,939,585
Other Revenue			
Rental properties	1,211,104	-	1,211,104
Sheltered workshop	305,639	-	305,639
Miscellaneous	1,054,145	-	1,054,145
Dividends and interest	11,067	-	11,067
In-kind revenue	-	-	-
Gain (loss) on disposal of property	(22,555)	-	(22,555)
Total other revenue	2,559,400	-	2,559,400
Total support and other revenue	10,047,315	2,596,807	12,644,122

	Unrestricted	Temporarily Restricted	Total
Expenses			
Program services:			
Work Services	\$ 503,206	\$ -	\$ 503,206
Habilitation and Placement	1,194,011	-	1,194,011
Rental Properties	703,141	-	703,141
Senior Care	139,909	-	139,909
Healthy Families	1,577,167	-	1,577,167
Clinic	688,019	-	688,019
Women Infant and Children (WIC)	1,304,374	-	1,304,374
Community Housing Development	2,368,901	-	2,368,901
Other Programs	290,225	-	290,225
Total program services	<u>8,768,953</u>	<u>-</u>	<u>8,768,953</u>
Support services:			
Agency Administration	1,609,469	-	1,609,469
Fundraising Campaign	30,790	-	30,790
Total support services	<u>1,640,259</u>	<u>-</u>	<u>1,640,259</u>
Total expenses	<u>10,409,212</u>	<u>-</u>	<u>10,409,212</u>
Unrealized gain (loss) on investments	<u>70,125</u>	<u>-</u>	<u>70,125</u>
Change in net assets	(291,772)	2,596,807	2,305,035
Net assets at the beginning of the year	<u>2,117,133</u>	<u>4,742,693</u>	<u>6,859,826</u>
Net assets at the end of the year	<u>\$ 1,825,361</u>	<u>\$ 7,339,500</u>	<u>\$ 9,164,861</u>

See notes to consolidated financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support			
Public support received directly:			
Contributions	\$ 187,729	\$ -	\$ 187,729
Total public support	187,729	-	187,729
Governmental Agencies' Support			
Program service fees	6,388,618	-	6,388,618
Grants	211,232	1,221,228	1,432,460
Taxes	630,883	-	630,883
Total governmental agencies' support	7,230,733	1,221,228	8,451,961
Other Revenue			
Rental properties	1,108,353	-	1,108,353
Sheltered workshop	288,164	-	288,164
Miscellaneous	225,988	-	225,988
Dividends and interest	6,855	-	6,855
In-kind revenue	790,416	-	790,416
Gain (loss) on disposal of property	32,499	-	32,499
Total other revenue	2,452,275	-	2,452,275
Total support and other revenue	9,870,737	1,221,228	11,091,965

Expenses	Unrestricted	Temporarily Restricted	Total
Program services:			
Work Services	\$ 513,048	\$ -	\$ 513,048
Habilitation and Placement	1,059,831	-	1,059,831
Rental Properties	704,959	-	704,959
Senior Care	119,430	-	119,430
Healthy Families	1,429,689	-	1,429,689
Clinic	670,937	-	670,937
Women Infant and Children (WIC)	1,358,402	-	1,358,402
Community Housing Development	1,625,565	-	1,625,565
Other Programs	284,002	-	284,002
Total program services	<u>7,765,863</u>	<u>-</u>	<u>7,765,863</u>
Support services:			
Agency Administration	1,568,250	-	1,568,250
Fundraising Campaign	40,511	-	40,511
Total support services	<u>1,608,761</u>	<u>-</u>	<u>1,608,761</u>
Total expenses	<u>9,374,624</u>	<u>-</u>	<u>9,374,624</u>
Unrealized gain (loss) on investments	<u>52,559</u>	<u>-</u>	<u>52,559</u>
Change in net assets	548,672	1,221,228	1,769,900
Net assets at the beginning of the year	<u>1,568,461</u>	<u>3,521,465</u>	<u>5,089,926</u>
Net assets at the end of the year	<u>\$ 2,117,133</u>	<u>\$ 4,742,693</u>	<u>\$ 6,859,826</u>

See notes to consolidated financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
With Comparative Totals for 2017

Program Services

	Work Services	Habilitation and Placement	Rental Properties	Senior Care	Healthy Families	CAPS Program	WIC	Community Housing Development
Salaries and Related Expenses								
Salaries and wages	\$ 249,556	\$ 871,592	\$ 84,892	\$ 106,917	\$ 1,171,631	\$ 331,658	\$ 910,987	\$ 422,258
Employee benefits	26,973	84,200	6,239	8,990	125,635	28,231	97,282	31,520
Payroll taxes	18,257	63,326	6,879	8,074	83,945	24,702	66,655	25,558
Total salaries and related expenses	294,786	1,019,118	98,010	123,981	1,381,211	384,591	1,074,924	479,336
Operating Expenses								
Consulting and professional fees	6,265	60,677	-	1,874	20,508	208,072	16,699	175,774
Workshop materials and supplies	8,522	-	-	-	-	-	-	-
Supplies	919	4,733	55,590	1,398	15,519	33,722	89,537	6,802
Telephone	971	4,110	47,890	640	20,967	3,655	14,716	3,670
Postage and freight	408	229	924	34	293	718	6,701	592
Occupancy and lease	536	16	175,651	157	-	2,181	99	49,091
Equipment repairs and rental	98	-	1,444	109	-	-	-	1,750
Transportation	36,161	41,753	11,373	2,559	79,230	16,935	21,442	4,812
Conferences, conventions, and meetings	1,674	17,768	-	1,366	8,103	7,287	12,156	19,004
Printing and publications	69	470	-	63	755	115	3,392	255
Wages - workshop clients	114,911	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Licenses and royalties	36	-	76	-	-	-	-	-
Interest	-	-	28,783	-	-	-	-	100
Dues and subscriptions	1,760	10,245	-	500	12,020	6,232	-	31,328
Community housing	-	10,776	5,410	-	647	-	-	4,961
Bad debt	4,103	5,852	-	60	-	-	-	1,000,445
Miscellaneous	1,987	13,260	7,990	2,164	37,914	24,511	64,708	408,188
Total operating expenses	178,420	169,889	335,131	10,924	195,956	303,428	229,450	1,715,149
Total expenses before depreciation and amortization	473,206	1,189,007	433,141	134,905	1,577,167	688,019	1,304,374	2,194,485
Depreciation and amortization	30,000	5,004	270,000	5,004	-	-	-	174,416
Total expenses	\$ 503,206	\$ 1,194,011	\$ 703,141	\$ 139,909	\$ 1,577,167	\$ 688,019	\$ 1,304,374	\$ 2,368,901

See notes to consolidated financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
With Comparative Totals for 2017

	Program Services		Supporting Services			Total Expenses	June 30, 2017 Total
	Other Programs	Total Program Services	Agency Administration	Fundraising Campaign	Total Management & General		
Salaries and Related Expenses							
Salaries and wages	\$ 127,891	\$ 4,277,382	\$ 748,467	\$ 18	\$ 748,485	\$ 5,025,867	\$ 4,741,146
Employee benefits	7,872	416,942	238,483	26	238,509	655,451	549,072
Payroll taxes	9,687	307,083	49,202	18	49,220	356,303	336,916
Total salaries and related expenses	145,450	5,001,407	1,036,152	62	1,036,214	6,037,621	5,627,134
Operating Expenses							
Consulting and professional fees	8,304	498,173	191,712	24,475	216,187	714,360	591,325
Workshop materials and supplies	-	8,522	-	-	-	8,522	28,584
Supplies	20,904	229,124	43,734	2,227	45,961	275,085	254,810
Telephone	1,311	97,930	9,330	-	9,330	107,260	109,848
Postage and freight	711	10,610	4,162	2,539	6,701	17,311	26,071
Occupancy and lease	29,192	256,923	139	-	139	257,062	275,052
Equipment repairs and rental	773	4,174	265	-	265	4,439	6,081
Transportation	1,092	215,357	1,814	-	1,814	217,171	230,593
Conferences, conventions, and meetings	3,186	70,544	39,997	40	40,037	110,581	124,119
Printing and publications	103	5,222	2,467	1,327	3,794	9,016	30,628
Wages - workshop clients	-	114,911	-	-	-	114,911	120,547
Insurance	-	-	5,608	-	5,608	5,608	5,941
Licenses and royalties	-	212	-	-	-	212	-
Interest	2,986	63,097	152,640	-	152,640	215,737	172,922
Dues and subscriptions	201	35,919	46,374	-	46,374	82,293	54,252
Community housing	-	1,017,278	8,349	-	8,349	1,025,627	947,047
Bad debt	-	418,203	-	-	-	418,203	51,204
Miscellaneous	1,012	161,923	15,180	120	15,300	177,223	210,262
Total operating expenses	69,775	3,208,122	521,771	30,728	552,499	3,760,621	3,239,286
Total expenses before depreciation and amortization	215,225	8,209,529	1,557,923	30,790	1,588,713	9,798,242	8,866,420
Depreciation and amortization	75,000	559,424	51,546	-	51,546	610,970	508,204
Total expenses	\$ 290,225	\$ 8,768,953	\$ 1,609,469	\$ 30,790	\$ 1,640,259	\$ 10,409,212	\$ 9,374,624

See notes to consolidated financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,305,035	\$ 1,769,900
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	610,970	508,204
(Gain)/loss on disposal of property and equipment	22,555	(32,499)
Bad debt expense	418,203	51,204
In-kind revenue	-	(790,416)
Unrealized (gain)/loss on investments	(70,125)	(52,559)
(Increase) decrease in:		
Accounts receivable - workshop contracts	1,909	8,001
Accounts, grants, and fees receivable, net	34,128	(130,367)
Inventory	(754)	6,824
Development costs	(1,396,858)	1,573,664
Other current assets	(13,659)	20,642
Receivable - related party	6,658	(9,022)
Increase (decrease) in:		
Accounts payable	(49,534)	262,028
Accrued wages and other accrued liabilities	85,385	117,119
Net cash from operating activities	<u>1,953,913</u>	<u>3,302,723</u>
Cash flows from investing activities:		
Purchase of investments	(34,068)	(56,565)
Proceeds from sale of property and equipment	2,101	172,815
Purchase of property and equipment	<u>(2,660,286)</u>	<u>(988,377)</u>
Net cash from investing activities	<u>(2,692,253)</u>	<u>(872,127)</u>
Cash flows from financing activities:		
Short term bank borrowings, net	1,122,000	215,332
Proceeds from the issuance of notes payable	705,878	76,633
Payments on notes payable	(1,054,196)	(2,189,607)
Payments on capital lease obligations	(3,163)	(12,474)
Other payable (receivable) - Housing Program	<u>(1,325)</u>	<u>(2,448)</u>
Net cash from financing activities	<u>769,194</u>	<u>(1,912,564)</u>
Net change in cash and cash equivalents	30,854	518,032
Cash and cash equivalents at beginning of year	<u>884,942</u>	<u>366,910</u>
Cash and cash equivalents at end of year	<u>\$ 915,796</u>	<u>\$ 884,942</u>

See notes to consolidated financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Supplemental Schedule of Noncash Investing and Financing Activities:		
Investing Activities		
Purchase of property and equipment:		
Cost of property and equipment acquisition	\$ (4,059,414)	\$ (2,916,862)
Property assumed	-	1,500,000
Property and equipment acquired with debt	<u>1,399,128</u>	<u>428,485</u>
Net Cash Paid for Purchases of Property and Equipment	<u>\$ (2,660,286)</u>	<u>\$ (988,377)</u>
Financing Activities		
Payments on capital lease obligations:		
Decrease in capital lease obligations	<u>\$ (3,163)</u>	<u>\$ (12,474)</u>
Net Cash Paid on Capital Lease Obligations	<u>\$ (3,163)</u>	<u>\$ (12,474)</u>
Proceeds from the issuance of notes payable:		
Proceeds from the issuance and assumption of long-term debt	\$ 2,105,006	\$ 1,247,482
Debt assumed	-	(535,039)
Property and equipment acquired with notes payable	<u>(1,399,128)</u>	<u>(635,810)</u>
Net Proceeds from the Issuance of Notes Payable	<u>\$ 705,878</u>	<u>\$ 76,633</u>
Supplemental Disclosure		
Interest Paid	<u>\$ 334,159</u>	<u>\$ 308,050</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
June 30, 2018 and 2017

NOTE 1 - NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Agency - New Hope Services, Inc. is a private non-profit agency which provides a full range of services for disadvantaged individuals of southern Indiana. These services include day programs for sheltered workshop, remedial reading, senior programs, counseling, housing and housing assistance, construction for low income families and other services.

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., Quartermaster General Corporation, Willow Trace Holdings, LLC, Rivers Edge Holdings, LLC, Forest Glen Holdings, LLC, and Duck Creek Holdings, LLC, all wholly-owned subsidiaries of New Hope Services, Inc. had no significant activity during the year ending June 30, 2018. See Note 10 regarding the assumption of Quartermaster during the fiscal year ending June 30, 2017. Also, see Note 11 for additional information regarding these related parties.

Basis of Presentation - 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.

Use of Estimates - The preparation of consolidated financial statements 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.

Sources of Revenue - The Agency receives revenue from state and county governments, public campaigns, direct contributions, sheltered workshop sales, home sales and rental income.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions. Should the Agency receive any gifts of long-lived assets such as land, buildings, equipment, such amounts would be reported as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. If explicit donor stipulations are absent about how long these long-lived assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of donated noncash assets are recorded at their fair market value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by the donation, are recorded at their fair values in the period received. Donated services have not been valued, and are not reflected in this report, because the criteria for recognition of such volunteer efforts have not been satisfied. Further information regarding in-kind revenue is provided in Note 10.

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 to be cash equivalents. There were no cash equivalents as of June 30, 2018 and 2017.

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.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 1 - NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 June 30, 2018 and 2017, with respect to accounts receivable - workshop contracts. See notes within the financial statements for additional information for receivables relating to grants and fees, notes, and related parties.

Inventory - Inventory consists of materials and supplies used in the sheltered workshop. Inventory is valued at the lower of cost or market. Cost is determined on a FIFO (first-in, first-out) basis.

Property and Equipment - Property and equipment are recorded at cost, or if donated, at fair market 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 \$60,271 and \$39,940 and for the years ended June 30, 2018 and 2017, respectively.

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 accounts for this interest utilizing the cost method of accounting. The entity utilizes a third party administrator and the plan includes a deductible of \$25,000 per claim in conjunction with reinsurance for larger claims.

The Agency contributes \$273 per employee. Contributions by the Agency to the plan were \$245,095 and \$227,562 during the years ending June 30, 2018 and 2017, respectively. 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, 2018, the asset and liability related to the Agency's self-insurance program were \$27,181 and \$8,495, respectively. At June 30, 2017, the asset and liability related to the Agency's self-insurance program were \$60,612 and \$37,247, 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.

Cost Allocation/Functional Allocation of Expenses - Costs directly identifiable to a particular function are charged to that function. Indirect costs are allocated to the various programs in a way that management believes best allocates cost in accordance with the benefits derived and is equitable to both the Federal Government and the Agency. The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses.

Income Taxes - New Hope Services, Inc. is a non-profit corporation incorporated under the laws of the State of Indiana and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. New Hope Services, Inc.'s wholly owned subsidiary, New Hope Development Services, LLC, is a single member LLC and is included in the tax return of New Hope Services, Inc. No income tax provision has been recorded in the Consolidated Statements of Activities for the years ended June 30, 2018 and 2017. Additionally, there are no significant timing differences between the financial statement reporting and income tax reporting and no provision for deferred taxes has been recorded.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 1 - NATURE OF AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Income Taxes (Continued) - The Agency evaluates all local, state, and federal income tax returns for potential uncertain tax positions taken. Management has concluded there are no tax positions attributed to the reporting entity which meet the more-likely-than-not criterion in the ASC. Accordingly, the accompanying consolidated financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the Consolidated Statements of Activities or accrued in the Consolidated Statements of Financial Position. The Agency does not have any ongoing tax examinations and is not aware of any pending examinations by tax authorities. The Agency is no longer subject to federal or state examinations by tax authorities for the closed tax years before June 30, 2015.

Date of Management's Review - The Agency has evaluated events and 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 - FAIR VALUE MEASUREMENTS

The consolidated financial statements reflect the accounting standard related to fair value measurements, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, the standard sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs.

The standard defines levels within the hierarchy of inputs 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 \$12,772 and \$3,170 at June 30, 2018 and 2017, respectively are included in the investment balance; however cash and cash equivalents are not subject to fair value disclosure requirements. Other 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, 2018 and 2017. 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, 2018 and 2017. The tables also set forth the respective levels to which the fair value measurements are classified within the fair value hierarchy.

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Equities	\$ 365,769	\$ -	\$ -	\$ 365,769
Mutual funds	113,378	-	-	113,378
Fixed income	-	-	-	-
Total assets at fair value	\$ 479,147	\$ -	\$ -	\$ 479,147

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 2 - FAIR VALUE MEASUREMENTS - (Continued)

Assets at Fair Value as of June 30, 2017				
	Level 1	Level 2	Level 3	Total
Equities	\$ 276,241	\$ -	\$ -	\$ 276,241
Mutual funds	94,553	-	-	94,553
Fixed income	19,046	-	-	19,046
Total assets at fair value	\$ 389,840	\$ -	\$ -	\$ 389,840

NOTE 3 - GRANTS AND FEES RECEIVABLE FROM GOVERNMENTAL AGENCIES

At June 30, 2018 and 2017, grant and fees receivable consisted of the following:

	2018	2017
Indiana Department of Family and Children Services	\$ 307,540	\$ 448,578
Other	276,767	183,886
Medicaid Waiver	154,908	155,906
Indiana State Department of Health	257,756	125,810
Indiana Family Health Council	35,651	53,315
Vocational Rehab	24,259	41,793
Medicaid	45,505	26,177
Department of Mental Health (Title XX)	2,237	3,167
Less: Allowance for uncollectable grants and fees	(160,119)	(60,000)
Total	\$ 944,504	\$ 978,632

NOTE 4 - INVESTMENTS

Investments are stated at fair value. The following summarizes investments at June 30, 2018 and 2017:

Fair Value at June 30, 2018 and 2017		
	2018	2017
Equities	\$ 365,769	\$ 276,241
Mutual funds	113,378	94,553
Fixed income	-	19,046
Money market funds	12,772	3,170
Fair market value	\$ 491,919	\$ 393,010
Cost basis	\$ 397,138	\$ 339,010

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 4 - INVESTMENTS - (Continued)

The investment return for the years ended June 30, 2018 and 2017 is as follows:

	2018	2017
Dividend and interest income	\$ 7,076	\$ 4,915
Capital gain distributions	3,632	1,639
Realized/unrealized gain (loss)	70,125	52,559
Total	\$ 80,833	\$ 59,113

The investments listed above are intended to be used to pay for deferred compensation arrangements. See Note 12 for additional information about investments relating to deferred compensation arrangements.

NOTE 5 - NOTES RECEIVABLE - HOUSING PROGRAM AND OTHER PAYABLE

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 twenty-four 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 \$112,182 and \$113,979 at June 30, 2018 and 2017, respectively. Four of the notes are to be repaid upon any future sale of the property. Upon the future sale and repayment of these loans, the Agency is required to reinvest the funds received back into the program. The remaining twenty notes total \$58,853 and \$61,975 at June 30, 2018 and 2017, respectively. With respect to these loans, an offsetting liability has been recorded. This liability has been classified as Other payable - Housing Program on the Consolidated Statements of Financial Position.

NOTE 6 - SHORT-TERM BANK BORROWINGS

During the year ended June 30, 2013, the Agency obtained a \$600,000 line of credit line of credit with Centra Credit Union that was renewed and increased to \$1,000,000 during the year ending June 30, 2016. The line of credit bears interest at prime plus 0.5%, but not less than 4.0%. The line is due to mature December 12, 2018. At June 30, 2018, the interest rate on the line was 5.5%. The line is secured by real estate and commercial security agreement of the Agency. The outstanding borrowings on the line of credit at June 30, 2018 and 2017 were \$906,000 and \$214,000, respectively.

During the year ended June 30, 2017, the Agency obtained a \$500,000 line of credit with Centra Credit Union. The line of credit bears interest at prime plus 0.5%, but not less than 4.0%. The line is due to mature December 12, 2018. At June 30, 2018, the interest rate on the line was 5.5%. The line is secured by real estate and commercial security agreement of the Agency. The outstanding borrowings on the line of credit at June 30, 2018 and 2017 were \$493,000 and \$345,000, respectively.

During the year ended June 30, 2017, the Agency obtained a \$200,000 line of credit with Centra Credit Union. The line of credit bears interest at prime plus 0.5%, but not less than 4.5%. The line is secured by real estate and commercial security agreement of the Agency. The outstanding borrowing on the line of credit at June 30, 2017 was \$200,000. In December 2017, the balance was refinanced into the loan at Centra Credit Union.

During the year ended June 30, 2018, the Agency obtained a \$500,000 line of credit with Centra Credit Union. The line of credit bears interest at prime plus 0.5%, but not less than 4.5%. The line is due to mature December 12, 2018. At June 30, 2018, the interest rate on the line was 5.5%. The line is secured by real estate and commercial security agreement of the Agency. The outstanding borrowing on the line of credit at June 30, 2018 was \$482,000.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 7 - LONG TERM DEBT

Long term debt at June 30, 2018 and 2017 consisted of the following:

	2018	2017
First Financial Bank, in monthly installments of \$3,850, through December 2022, including interest at 4.64%, adjusted to 5.19% in December 2017, secured by real estate.	\$ 585,707	\$ 603,766
The New Washington State Bank, in monthly installments of \$1,761, including interest at 5.00% through June 2018 with one final installment of all principal and accrued interest not yet paid, secured by real estate. Loan was renewed subsequent to year-end with monthly installments of \$1,853, including interest at 5.75% through July 2033.	222,613	232,242
The New Washington State Bank, in monthly installments of \$2,286, including interest at 5.50% through June 2033, secured by real estate.	275,903	287,037
The New Washington State Bank, in monthly installments of \$1,391, including interest of 5.00% through September 2017, secured by real estate.	-	177,614
Centra Credit Union, in monthly installments of \$10,108 through December 2022, including interest at 4.125%, adjusted to 5.25% in December 2017, secured by real estate.	1,325,038	1,386,902
First Financial Bank, in monthly installments of \$1,985 including interest at 4.25%, secured by real estate. Loan was refinanced into loan at Centra Credit Union in December 2017.	-	205,226
The New Washington State Bank, in monthly installments of \$319, including interest at 1.99% through March 2020, secured by a vehicle.	6,582	10,240
The New Washington State Bank, in monthly installments of \$533, including interest at 2.65% through October 2021, secured by a vehicle.	20,384	26,158
The New Washington State Bank, in monthly installments of \$2,820, including interest at 4.50%, secured by real estate. Loan was paid off in December 2017.	-	312,568
The New Washington State Bank, in monthly installments of \$516, including interest at 4.50% through February 2020 with a final installment of principal and accrued interest not yet paid through March 2020, secured by real estate.	56,472	60,040
The New Washington State Bank, in monthly installments of \$516, including interest at 4.50% through February 2020 with a final installment of principal and accrued interest not yet paid through March 2020, secured by real estate.	56,472	60,040

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 7 - LONG TERM DEBT (Continued)

	2018	2017
Indiana Housing and Community Development Authority, in annual installments of \$22,053 including 3% interest through January 2032, secured by real estate.	423,132	432,255
Indiana Housing and Community Development Authority, construction loan accruing interest on advances at 3.00% through conversion date of July 2018, secured by real estate. Annual payments commence 12 months after conversion date with a maturity date of July 2033.	491,584	491,584
PNC Bank, in monthly installments of \$4,713, including interest at 8.12% through June 2021 and a final installment payment of principal and accrued interest not paid, secured by real estate.	518,403	528,618
Indiana Housing and Community Development Authority, construction loan accruing interest on advances at 3.00% through conversion date of January 2019, secured by real estate. Annual payments commence 12 months after conversion date with a maturity date of January 2034.	426,071	82,400
The New Washington State Bank, in monthly installments of \$840, including interest at 4.50% through August 2025, secured by real estate.	61,652	68,783
The New Washington State Bank, unsecured note due in monthly installments of interest only at 4.25% with one final installment of principal and accrued interest not yet paid through October 2018.	275,000	275,000
The New Washington State Bank, unsecured note due in monthly installments of interest only at 5.00% with one final installment of principal accrued interest not yet paid through October 2018.	100,250	275,250
P/R Mortgage & Investment Corp, in monthly installments of \$5,960, including interest at 3.87% through September 2048, secured by real estate.	1,273,716	1,295,480
Commerce Bank, in monthly installments of \$477, including interest at 4.25% through January 2022, secured by real estate.	73,073	75,588
Ford Motor Credit, in monthly installments of \$444, including interest at 0% through September 2022, secured by a vehicle.	22,619	27,942
Ford Motor Credit, in monthly installments of \$872, including interest at 0% through July 2022, secured by a vehicle.	31,386	41,849
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.	667,890	-
Indiana Housing and Community Development Authority, construction loan accruing interest on advances at 3.00% through conversion date of December 2018, secured by real estate. Annual payments commence 12 months after conversion date with a maturity date of December 2033.	495,000	-

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 7 - LONG TERM DEBT (Continued)

	2018	2017
Indiana Housing and Community Development Authority, construction loan accruing interest on advances at 3.00% through conversion date of January 2019, secured by real estate. Annual payments commence 12 months after conversion date with a maturity date of January 2034.	98,445	-
Indiana Housing and Community Development Authority, construction loan accruing interest on advances at 3.00% through conversion date of March 2018, secured by real estate. Annual payments commence 12 months after conversion date with a maturity date of March 2034.	500,000	-
Total notes payable	8,007,392	6,956,582
Less current portion	(607,420)	(1,463,734)
Notes payable, less current portion	\$ 7,399,972	\$ 5,492,848

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

Years ending June 30,		
2019	\$	607,420
2020		379,898
2021		774,074
2022		317,945
2023		767,653
Thereafter		5,160,402
	\$	8,007,392

Total interest expense was \$350,664 and \$308,050 for the years ended June 30, 2018 and 2017, respectively, for the notes and capital leases. A portion of interest expense is included in rental properties expense for the years ended June 30, 2018 and 2017.

NOTE 8 - CAPITAL LEASE OBLIGATIONS

The Agency secured three capital lease obligations for equipment which expired at various dates through November 2017. The assets and liabilities under capital leases were recorded at the lower of the present value of the minimum lease payments or the fair values of the assets. The assets were depreciated over their estimated useful lives. Accumulated depreciation for capital lease obligations is included in accumulated depreciation on the Consolidated Statements of Financial Position. The capital lease obligation was paid in full during the year ended June 30, 2018.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

The following is a summary of property held under capital lease as of June 30, 2018.

Equipment		\$	63,807
Accumulated depreciation			<u>(63,807)</u>
		\$	<u><u>-</u></u>

The following is a summary of property held under capital lease as of June 30, 2017.

Equipment		\$	63,807
Accumulated depreciation			<u>(56,992)</u>
		\$	<u><u>6,815</u></u>

NOTE 9 - 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, 2018 and 2017 was approximately \$94,000 and \$103,000, 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:

Year ending June 30,			
2019		\$	93,745
2020			55,864
2021			50,095
2022			50,095
2023			<u>23,091</u>
		\$	<u><u>272,890</u></u>

NOTE 10 - IN-KIND REVENUE

The Agency assumed the assets and liabilities of Quartermaster, LP during the year ended June 30, 2017. Quartermaster, LP assets were assumed as of January 31, 2017. The difference between the assets and liabilities of the limited partnership was recognized as in-kind revenue upon assumption. Total in-kind revenue related to the assumption of the assets and liabilities of the limited partnership recognized during the year ending June 30, 2017 totaled \$790,416. There were no such assumptions during the year ending June 30, 2018.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

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 99.99% limited partner & .001% special limited partner
- Quartermaster, LP - New Hope Services, Inc. is a 99.99% limited partner & .001% special limited partner
- Willow Trace, LP - Willow Trace Holdings, LLC is a .0001% general partner
- Rivers Edge, LP - Rivers Edge Holdings, LLC is a .001% general partner
- Forest Glen, LP - Forest Glen Holdings, LLC is a .001% general partner
- Duck Creek, LP - New Hope Services, Inc. is a 99.99% limited partner & .001% special limited partner
- Davis Zeller Place, L.P. - DZP Brazil, LLC is a general partner with .001% ownership
- M. Fine on Spring, LLC - MFOS Apartments, LLC is a general partner with .001% ownership
- Lofts at Leasons, L.P. - New Hope Services, Inc. is a 99.99% limited partner & .001% general partner

The above entities were established principally to acquire real estate and develop one or more multi-family dwelling units. During the year ended June 30, 2018, New Hope Services, Inc. earned developer's fees in the amount of \$1,199,200 resulting from its involvement with the M. Fine on Spring and Davis Zeller Place projects. During the year ended June 30, 2017, New Hope Services, Inc. earned developer's fees in the amount of \$100,000 resulting from its involvement with the M. Fine on Spring project. 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, 2018 and 2017, consist of the following:

	2018	2017
Willow Trace, LP	\$ 185,532	\$ 185,532
Rivers Edge, LP	215,269	215,269
Forest Glen, LP	197,025	197,025
M. Fine on Spring, LLC	670,000	-
Davis Zeller Place, L.P.	529,200	-
Receivable - related party	1,797,026	597,826
Plus advances to related parties	1,229,570	657,621
Less allowance for uncollectable receivables/advances	(1,458,146)	(597,826)
Total receivable - related party, net	1,568,450	657,621
Less current portion, as included in development costs	(1,544,581)	(627,094)
Receivable - related party, non-current portion, net	\$ 23,869	\$ 30,527

Included in advances to related parties are funds advanced to Willow Trace, LP, Rivers Edge, LP, and Forest Glen, LP to meet various operating needs of the respective entities. These related party receivables are not expected to be collected within the next year and therefore are shown under non-current Other 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, is President of the Southern Region at Centra Credit Union. The Agency's investments are managed by Hilliard Lyons. 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. A portion of the Agency's insurance services were provided by Epic Insurance Solutions, in which board members John Neace and Barbara Swank-Gallegos are affiliated.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 12 - 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 payable to the 401(k) plan by the Agency for the years ended June 30, 2018 and 2017, were \$123,372 and \$82,459, 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.

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 \$18,000 for the 2017 and 2018 plan years plus special catch-up contributions and does not vest with the CEO until retirement or age 70.5. 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 contributions which can be made by the Agency into the Plan.

During the year ending June 30, 2014, the Agency established non-qualified deferred compensation plans for its chief financial officer ("CFO") and chief administrative officer ("CAO") as 457(f) plans. During the year ending June 30, 2015, the Agency established a non-qualified deferred compensation plan for its chief operating officer ("COO") a 457(f) plan. Contributions by the Agency to all non-qualified deferred compensation plans were \$34,068 and \$55,565 for the years ending June 30, 2018 and 2017, respectively.

The fair market value of the investment totaled \$491,919 and \$393,010 as of June 30, 2018 and 2017, respectively, and is included in "Investments - available for sale" on the Consolidated Statements of Financial Position. See Note 4 for additional information regarding Investments.

NOTE 13 - 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 financial statements.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 14 - GOVERNMENTAL AGENCIES' SUPPORT

Governmental agencies' support consisted of the following:

	2018	2017
Program Service Fees:		
Indiana Family and Social Services Administration	\$ 197,904	\$ 196,549
Title XX	21,636	18,324
Medicaid	2,017,995	1,940,168
WIC	1,566,658	1,634,759
Indiana Department of Family and Children's Services	1,868,747	1,758,576
Community Partners for Child Safety	796,182	820,951
Miscellaneous Fees	5,750	19,291
	6,474,872	6,388,618
Grants:		
Aberdeen Woods Phase IV	-	202,535
Aberdeen Woods Phase V	647,937	202,063
Highland Glen 1	477,933	429,817
Highland Glen 2	547,858	359,892
Highland Glen 3	923,079	26,921
Indiana Housing Finance Authority	9,173	14,782
Indiana Family Health Council (Title X)	213,475	196,450
	2,819,455	1,432,460
Taxes:		
County tax	645,258	630,883
Total Governmental Agencies' Support	\$ 9,939,585	\$ 8,451,961

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements - (Continued)

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 and 2017 are as follows:

Donor/Purpose	Balance 6/30/2017	Contributions and Grants	Released from Restriction	Balance 6/30/2018
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	202,063	647,937	-	850,000
IHCDA Highland Glen Phase 1	429,817	477,933	-	907,750
IHCDA Highland Glen Phase 2	359,892	547,858	-	907,750
IHCDA Highland Glen Phase 3	26,921	923,079	-	950,000
Total Temporarily Restricted Net Assets	<u>\$ 4,742,693</u>	<u>\$ 2,596,807</u>	<u>\$ -</u>	<u>\$ 7,339,500</u>

NOTE 16 - 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.

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.

NOTE 17 - RECLASSIFICATIONS

Certain items have been reclassified from 2017 to conform to the classification of 2018. Such reclassifications had no effect on the total consolidated statement of activities or the consolidated statement of financial position as previously reported.

NOTE 18 - SUBSEQUENT EVENT

Subsequent to year-end, the Agency's 99.9% limited partnership interest in The Lofts at Leeson's L.P. transferred to CREA.

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Award Expended
U.S. Department of Health and Human Services		
Passed through from Indiana Family Health Council:		
Family Planning Services (Title X)	93.217	\$ <u>73,855</u>
Total U.S. Department of Health and Human Services		<u>73,855</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	<u>1,566,658</u>
Total U.S. Department Agriculture		<u>1,566,658</u>
Department of Housing and Urban Development		
Passed through from Indiana Housing and		
Community Development Authority:		
Home Investment Partnership Program	14.239	<u>3,096,808</u>
Total Department of Housing and Urban Development		<u>3,096,808</u>
Total Expenditures of Federal Awards		<u>\$ 4,737,321</u>

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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, 2018. 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.

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 Organization, and balances and transactions relating to the program are included in the Organization'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, 2018 consist of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2018
HML-016-005	IHCDA Highland Glen Phase 1	\$ 495,000
		\$ 495,000

- Certified Public Accountants
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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, 2018, 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 December 5, 2018.

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) to determine the 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.

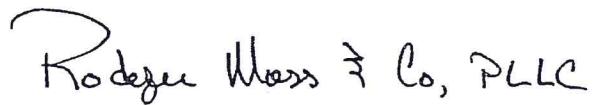
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 determination of financial statement amounts. 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.

A handwritten signature in black ink that reads "Rodefer Moss & Co, PLLC". The signature is written in a cursive, slightly slanted style.

Rodefer Moss & Co, PLLC
New Albany, Indiana
December 5, 2018

- Certified Public Accountants
- Business Advisors

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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

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, 2018. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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, 2018.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
December 5, 2018

NEW HOPE SERVICES, INC. AND SUBSIDIARY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditors' Results

1. An unmodified opinion was issued on the audit of the consolidated financial statements of New Hope Services, Inc. and Subsidiary for the year ended June 30, 2018.
2. No material weaknesses were identified relating to the audit of the consolidated financial statements of New Hope Services, Inc. and Subsidiary.
3. The audit did not disclose any noncompliance which is material to the consolidated financial statements of New Hope Services, Inc. and Subsidiary.
4. No material weaknesses in internal control over major programs were disclosed by the audit.
5. An unmodified opinion was issued on compliance for the major federal programs of New Hope Services, Inc. and Subsidiary for the year ended June 30, 2018.
6. The audit did not disclose any audit findings required to be reported under 2CFR 200.516 (a) of the Uniform Guidance.
7. The programs tested as major programs included:

Home Investment Partnerships Program, CFDA 14.239
8. The dollar threshold for distinguishing Type A and B programs was \$750,000
9. The auditee qualified as a low-risk auditee.
10. As no findings were noted in the prior year report, New Hope Services, Inc. and Subsidiary does not have a summary schedule of prior year audit findings.
11. As no findings were noted, New Hope Services, Inc. and Subsidiary does not have a corrective action plan.

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None