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November 16, 2021

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

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, 2019 to June 30, 2020. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of New Hope Development Services, Inc. as of June 30, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on page 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 24.

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

NEW HOPE DEVELOPMENT SERVICES, INC.

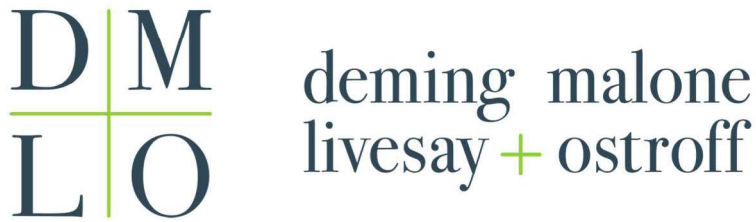
Financial Statements and Supplementary Information

June 30, 2020 and 2019

NEW HOPE DEVELOPMENT SERVICES, INC.
Financial Statements and Supplementary Information
June 30, 2020 and 2019

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Hope Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hope Development Services, Inc. as of June 30, 2020, 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.

Prior Period Financial Statements

The financial statements of New Hope Development Services, Inc. as of June 30, 2019 were audited by other auditors whose report dated March 27, 2020 expressed an unmodified opinion on those financial statements.

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Other Matters

Other 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 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 January 21, 2021, 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 solely 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
January 21, 2021

NEW HOPE DEVELOPMENT SERVICES, INC.
 Statements of Financial Position
 June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash	\$ 33,631	\$ 19,713
Restricted cash	207,521	226,049
Grants receivable	723,301	180,911
Accounts receivable	7,149	-
Due from general partner	3,806	-
Due from other related parties	751,263	-
Prepaid expenses	13,496	-
Other current assets	500	4,000
Total current assets	1,740,667	430,673
Property and Equipment, Net	5,240,581	885,787
Total assets	\$ 6,981,248	\$ 1,316,460
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 670,137	\$ 397,253
Due to general partner	2,732	-
Due to New Hope Services	1,085,962	81,777
Due to other related parties	46,363	-
Current portion of long-term debt	523,804	-
Accrued expenses	147,054	2,506
Total current liabilities	2,476,052	481,536
Deposit and Repayment Liabilities		
Tenant security deposits	19,373	-
Long-Term Liabilities		
Notes payable, less current portion	798,887	-
Total liabilities	3,294,312	481,536
Net Assets		
Without donor restrictions	598,522	53,361
With donor restrictions	3,088,414	781,563
Total net assets	3,686,936	834,924
Total liabilities and net assets	\$ 6,981,248	\$ 1,316,460

See notes to financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Statement of Activities
Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Public support received directly:			
In-kind contributions	\$ 741,375	\$ -	\$ 741,375
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>741,375</u>	<u>-</u>	<u>741,375</u>
Governmental Agencies' Support			
Grants	<u>481,209</u>	<u>2,306,851</u>	<u>2,788,060</u>
Total governmental agencies' support	<u>481,209</u>	<u>2,306,851</u>	<u>2,788,060</u>
Other revenue			
Rental properties	<u>290,573</u>	<u>-</u>	<u>290,573</u>
Total other revenue	<u>290,573</u>	<u>-</u>	<u>290,573</u>
Total support and other revenue	<u>1,513,157</u>	<u>2,306,851</u>	<u>3,820,008</u>
Expenses			
Program services	367,345	-	367,345
Management and general	600,651	-	600,651
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>967,996</u>	<u>-</u>	<u>967,996</u>
Change in net assets	545,161	2,306,851	2,852,012
Net assets at the beginning of the year	<u>53,361</u>	<u>781,563</u>	<u>834,924</u>
Net assets at the end of the year	<u>\$ 598,522</u>	<u>\$ 3,088,414</u>	<u>\$ 3,686,936</u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Public support received directly:			
In-kind contributions	\$ -	\$ -	\$ -
Contributions	25,000	-	25,000
Total public support	25,000	-	25,000
Governmental Agencies' Support			
Grants	78,415	781,563	859,978
Total governmental agencies' support	78,415	781,563	859,978
Other revenue			
Rental properties	-	-	-
Total other revenue	-	-	-
Total support and other revenue	103,415	781,563	884,978
Expenses			
Program services	4,426	-	4,426
Management and general	45,628	-	45,628
Fundraising	-	-	-
Total expenses	50,054	-	50,054
Change in net assets	53,361	781,563	834,924
Net assets at the beginning of the year	-	-	-
Net assets at the end of the year	\$ 53,361	\$ 781,563	\$ 834,924

NEW HOPE DEVELOPMENT SERVICES, INC
Statement of Functional Expenses
Year Ended June 30, 2020
With Summarized Comparative Totals for 2019

	Program Services	Management and General	Fundraising	Total Expenses	June 30, 2019 Total
Salaries and Related Expenses					
Salaries and wages	\$ -	\$ 477,635	\$ -	\$ 477,635	\$ 22,511
Employee benefits	-	48,452	-	48,452	3,369
Payroll taxes	-	26,749	-	26,749	1,642
Total salaries and related expenses	-	552,836	-	552,836	27,522
Operating Expenses					
Utilities	72,697	-	-	72,697	-
Rental property operations	67,331	-	-	67,331	-
Professional fees	35,471	16,710	-	52,181	4,426
Taxes and insurance	49,734	138	-	49,872	2,250
Rental property administration	41,224	-	-	41,224	-
Repairs and maintenance	28,394	110	-	28,504	-
Interest	16,503	5,125	-	21,628	-
Miscellaneous	-	6,159	-	6,159	13,123
Office expenses	-	5,917	-	5,917	-
Training and seminars	-	5,333	-	5,333	-
Dues	-	2,821	-	2,821	-
Phones	-	2,160	-	2,160	-
Computer supplies	-	1,362	-	1,362	2,723
Vehicles	-	925	-	925	-
Travel	-	617	-	617	-
Advertising	-	393	-	393	-
Bank charges	-	45	-	45	10
Total operating expenses	311,354	47,815	-	359,169	22,532
Total expenses before depreciation and amortization	311,354	600,651	-	912,005	50,054
Depreciation and amortization	55,991	-	-	55,991	-
Total expenses	\$ 367,345	\$ 600,651	\$ -	\$ 967,996	\$ 50,054

NEW HOPE DEVELOPMENT SERVICES, INC.
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,852,012	\$ 834,924
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	55,991	-
In-kind contributions	(741,375)	-
(Increase) decrease in:		
Accounts and grants receivable	(549,539)	(180,911)
Related party accounts receivable	(755,069)	-
Other current assets	3,500	(4,000)
Prepaid expenses	(13,496)	-
Increase (decrease) in:		
Accounts payable	272,884	397,253
Related party accounts payable	1,053,280	81,777
Accrued expenses	144,143	2,506
	<u>2,322,331</u>	<u>1,131,549</u>
Net cash from operating activities		
Cash flows from investing activities:		
Proceeds from sale of property and equipment	58,234	-
Property and equipment	<u>(2,422,262)</u>	<u>(885,787)</u>
Net cash from investing activities	<u>(2,364,028)</u>	<u>(885,787)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	44,118	-
Payments made on long-term debt	<u>(26,809)</u>	<u>-</u>
Net cash from financing activities	<u>17,309</u>	<u>-</u>
Net change in cash and restricted cash	(24,388)	245,762
Cash and restricted cash at beginning of year	<u>245,762</u>	<u>-</u>
Cash and restricted cash at end of year	<u>\$ 221,374</u>	<u>\$ 245,762</u>
Supplemental schedule of noncash investing and financing activities:		
Investing Activities		
Purchase of property and equipment:		
Cost of property and equipment	\$ (4,469,019)	\$ (885,787)
Property and equipment acquired through in-kind contributions	741,375	-
Property and equipment acquired with notes payable	<u>1,305,382</u>	<u>-</u>
Net cash used to acquire property and equipment	<u>\$ (2,422,262)</u>	<u>\$ (885,787)</u>
Financing Activities		
Cash receipts from debt:		
Gross proceeds used for long-term debt	\$ 1,349,500	\$ -
Proceeds used to purchase property and equipment	<u>(1,305,382)</u>	<u>-</u>
Net cash received as proceeds from long-term debt	<u>\$ 44,118</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 16,503</u>	<u>\$ -</u>

See notes to financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description 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.

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 - 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. If assets are received and their restriction expires or is fulfilled in the same period, then the asset is classified as being without donor restriction for the period.

Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Should the Organization 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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates - The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2020 and 2019.

Restricted cash consists of cash required to be used or held for specific purposes, such as grant deliverables. 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. At June 30, 2020 and 2019 tenant security deposit cash totaled \$19,778 and \$0, respectively.

Grants Receivable - Grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and deems all contract income and grants receivable to be fully collectible at year-end.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

In-kind Contributions - 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.

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 40 years for buildings, 25 years for building renovations, and 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, 2020, Aberdeen Woods VII and Highland Woods were under construction and not yet in service. As of June 30, 2019, all of the property and equipment owned by the Organization was under construction and had not yet been placed into service.

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.

The June 30, 2020 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, 2019, from which the summarized information was derived.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions and believes that it has none that are uncertain.

Change in Accounting Principle - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* including all related amendments (Topic 606). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1) identify the contract(s), 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when or as the entity satisfies a performance obligation. The Organization has adopted this standard using a modified retrospective method of application to the current year presented, with no effect on net assets. There was no material change to the Organization's revenue recognition due to the adoption of ASU No. 2014-09.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Made*. The standard provides guidance to determine whether transactions are contributions or exchange transactions and whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 under a modified prospective basis. Accordingly, there is no effect on previously reported net assets.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Change in Accounting Principle (Continued)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The standard provides guidance on the presentation of restricted cash in the financial statements. The Organization has implemented the provisions of ASU 2016-18 under a retrospective basis.

Revenue Recognition - One of the Organization's revenue streams involves the transfer of goods and services. The Organization receives revenue from contracts with renters under the provisions of Topic 606 using a five-step model as noted above. Under this standard, recognition of revenue occurs when a customer obtains controls of promised services or goods in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services.

Recent Accounting Pronouncements - The FASB issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021; and 2) ASU No. 2016-13, *Financial Instruments- Credit Losses*, effective for fiscal years beginning after December 15, 2022. The Organization is evaluating the impact of these standards on future financial statements and have yet to determine the effect, if any, on its financial position and operations.

Date of Management's Review - The Organization has evaluated events and 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, 2020 and 2019 include the following:

	2020	2019
Cash	\$ 33,631	\$ 19,713
Accounts Receivable	7,149	15,391
Total	\$ 40,780	\$ 35,104

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, 2020 and 2019, the Organization had \$33,631 and \$19,713 cash available and \$7,149 and \$15,391 in trade accounts receivable, respectively, to be used within one year of the Statement of Financial Position date to meet needs for general expenditures. Additionally, the Organization had \$34,226 and \$84,609 of unused operating grant awards from Indiana Housing and Community Development Authority CHDO grants for Aberdeen Phases VI and VII available to draw for general expenditures as of June 30, 2020 and 2019, respectively.

NOTE 3 - GRANTS RECEIVABLE

At June 30, 2020 and 2019, grants receivable from the Indiana Housing and Community Development Authority totaled \$723,301 and \$180,911, respectively.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2020	2019
Land	\$ 598,663	\$ -
Aberdeen Woods VI	1,536,499	797,392
Aberdeen Woods VII	282,684	103
Highland Place	1,323,278	8,558
Highland Woods	94,852	10,700
Olive Grove	-	19,900
River's Edge	1,445,596	10,800
Townhomes on Main	-	38,334
Equipment	<u>15,000</u>	<u>-</u>
	5,296,572	885,787
Accumulated depreciation	<u>(55,991)</u>	<u>-</u>
Property and equipment, net	<u>\$ 5,240,581</u>	<u>\$ 885,787</u>

NOTE 5 - LONG TERM DEBT

Long-term debt at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of April 2021, secured by real estate with a net book value of approximately \$1,508,000 as of June 30, 2020.	\$ 500,000	\$ -
Indiana Housing and Community Development Authority construction loan accruing interest on advances at 3.00% through conversion date of September 2021, secured by real estate with a net book value of approximately \$1,434,000 as of June 30, 2020.	323,491	-
Centra Credit Union business loan accruing interest at a variable interest rate (4.50% as of June 30, 2020), monthly payments of \$3,180.91 with a balloon payment at maturity, secured by real estate with a net book value of approximately \$1,483,000 as of June 30, 2020. Maturity date of November 2034.	491,500	-
Small Business Administration Loan, due in monthly installments of principal and interest starting November 2020. Fixed interest rate of 1.00%. Expected to be forgiven by June 30, 2021.	<u>7,700</u>	<u>-</u>
Total notes payable	1,322,691	-
Less current portion	<u>(523,804)</u>	<u>-</u>
Notes payable, less current portion	<u>\$ 798,887</u>	<u>\$ -</u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 5 - LONG TERM DEBT (Continued)

Maturities of long-term debt for the years following June 30, 2020 are as follows:

<u>Year Ending June 30.</u>	
2021	\$ 523,804
2022	340,346
2023	17,640
2024	18,408
2025	19,319
Thereafter	<u>403,174</u>
	<u>\$ 1,322,691</u>

On May 1, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender), for an aggregate principal amount of \$7,700 (PPP Loan).

The PPP Loan bears interest at a fixed rate of 1.0% per annum, with deferred interest, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.

To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Organization has management in common with New Hope Services, Inc. As of June 30, 2020 and 2019, \$1,085,962 and \$81,777, respectively, was due to New Hope Services, Inc. from the Organization. As of June 30, 2020, the Organization has \$3,806 and \$0 due from a general partner and \$2,732 and \$2,732 due to a general partner as of June 30, 2020 and 2019, respectively. The Organization also has \$751,263 and \$0 due from other related parties as of June 30, 2020 and 2019, respectively, as well as \$46,363 and \$0 due to other related parties.

NOTE 7 - 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 payable to the 401(k) plan by the Organization for the years ended June 30, 2020 and 2019, was \$21,056 and \$679, respectively.

NOTE 8 - 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 for compensated absences has been recorded in the accompanying financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 9 - CONTINGENCIES

The COVID-19 outbreak in the United States has caused disruptions to businesses and organizations through mandated and voluntary closures. While these disruptions are expected to be temporary, there is considerable uncertainty about the duration of the outbreak, the federal and state government responses, and the impact on the economy and the Organization's vendors and individuals served. The extent of the impact on the Organization's future operations and cash flows is uncertain.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, subject to the passage of time, as of June 30, 2020 and 2019 are as follows:

<u>Donor/Purpose</u>	<u>Balance 6/30/2019</u>	<u>Grants with Donor Restrictions</u>	<u>Released from Restriction</u>	<u>Balance 6/30/2020</u>
IHCDA Aberdeen Woods Phase VI	\$ 781,563	\$ 150,413	\$ -	\$ 931,976
IHCDA Aberdeen Woods Phase VII	-	392,532	-	392,532
IHCDA Highland Place	-	1,096,293	-	1,096,293
IHCDA Highland Woods	-	-	-	-
IHCDA River's Edge	-	667,613	-	667,613
Total Net Assets With Donor Restrictions	<u>\$ 781,563</u>	<u>\$ 2,306,851</u>	<u>\$ -</u>	<u>\$ 3,088,414</u>

NOTE 11 - CONCENTRATION 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.

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.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 12 - GOVERNMENTAL AGENCIES' SUPPORT

Governmental agencies' support consisted of the following:

	2020	2019
Operational Grants:		
Indiana Housing and Community Development Authority	\$ 50,383	\$ 15,391
	50,383	15,391
Grants:		
Aberdeen Woods Phase VI	150,413	844,587
Aberdeen Woods Phase VII	464,175	-
Highland Place	1,276,785	-
River's Edge	806,304	-
Highland Woods	40,000	-
	2,737,677	844,587
Total Governmental Agencies' Support	\$ 2,788,060	\$ 859,978

NOTE 13 - REAL ESTATE - HOUSING

The Organization planned the development of Aberdeen Woods Phase VI for the construction of 10 residential housing units in Clark County, Indiana. During the year ended June 30, 2020 and 2019, construction and related development costs for Aberdeen Woods Phase VI totaled \$1,541,436 and \$797,392, respectively. These amounts are included as property and equipment in the financial statements.

The Organization planned the development of Aberdeen Woods Phase VII for the construction of 6 residential housing units in Clark County, Indiana. During the year ended June 30, 2020 and 2019, construction and related development costs for Aberdeen Woods Phase VII totaled \$282,684 and \$103, respectively. These construction in progress amounts are included as property and equipment in the financial statements.

The Organization planned the development of Highland Place for the rehabilitation of 16 residential housing units in Scott County, Indiana. During the year ended June 30, 2020 and 2019, rehabilitation and related development costs for Highland Place totaled \$1,520,212 and \$0, respectively. These amounts are included as property and equipment in the financial statements.

The Organization planned the development of River's Edge for the rehabilitation of 39 residential housing units in Vermillion County, Indiana. During the year ended June 30, 2020 and 2019, rehabilitation and related development costs for River's Edge totaled \$1,624,387 and \$10,800, respectively. These amounts are included as property and equipment in the financial statements.

The Organization planned the development of Highland Woods for the construction of 11 residential housing units in Scott County, Indiana. During the year ended June 30, 2020 and 2019, construction and related development costs for Highland Woods totaled \$519,852 and \$0, respectively. These construction in progress amounts are included as property and equipment in the financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Award Expended
Department of Housing and Urban Development Passed through from Indiana Housing and Community Development Authority:		
Home Investment Partnership Program	14.239	\$ 50,383
Home Investment Partnership Program	14.239	<u>2,737,677</u>
Total U.S. Department of Housing and Urban Development		<u>2,788,060</u>
 Total Expenditures of Federal Awards		 <u><u>\$ 2,788,060</u></u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

NOTE A - BASIS OF PRESENTATION

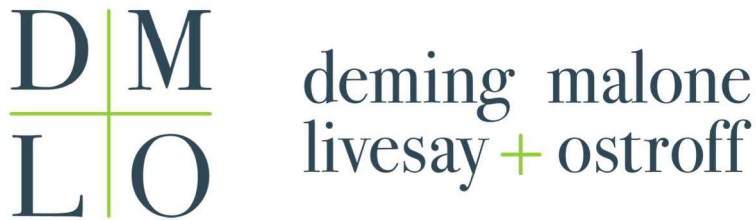
The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Hope Development Services, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements 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 Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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.



Independent Auditor's 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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hope Development Services, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hope Development Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hope Development Services, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hope Development Services, Inc.'s 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*.

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New Hope Development Services, Inc.'s Response to Findings

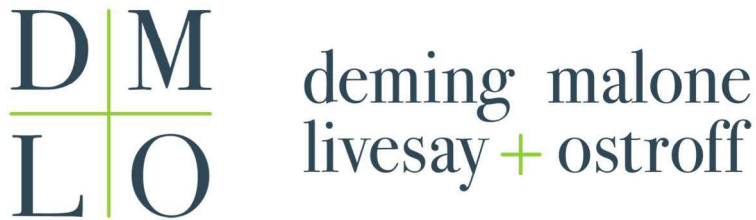
New Hope Development Services, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. New Hope Development Services, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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

Deming, Malone, Livesay & Ostroff
New Albany, Indiana
January 21, 2021



Independent Auditor's 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

We have audited New Hope Development Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Hope Development Services, Inc.'s major federal programs for the year ended June 30, 2020. New Hope Development Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

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, 2020.

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Report on Internal Control Over Compliance

Management of New Hope Development Services, Inc. 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 New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'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 a 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.



Deming, Malone, Livesay & Ostroff
New Albany, Indiana
January 21, 2021

NEW HOPE DEVELOPMENT SERVICES, INC
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.239

Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

NEW HOPE DEVELOPMENT SERVICES, INC
Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Findings

2020-001 FINDING #1 Lack of reconciliation of property and equipment (“fixed asset”) balances

Condition: The Organization did not have a formal reconciliation of the fixed asset balances as of June 30, 2020.

Criteria: Fixed asset balances should be measured at the cost to acquire the assets, including the costs to bring the asset to the condition necessary for its intended use. Not all costs for construction or rehabilitation can be capitalized as fixed asset costs, and so it is important to have a regular, formal reconciliation of the capitalized costs to ensure the assets are properly stated in accordance with U.S. GAAP. The risk is increased for properties where the Organization is acting as general contractor, as the number and variety of journal entries being made increases significantly.

Effect: If fixed asset balances are not regularly reconciled throughout the year, then the amount of expenditures could be misrepresented, which could impact planning decisions made by the Organization. It can also make year-end reconciliation more susceptible to misstatement due to the number and variety of journal entries that must be reviewed.

Cause: Recordation of transactions were not formally reconciled in a timely manner.

Recommendation: The Organization should consider a monthly formal review of fixed asset additions and disposals to ensure all transactions are properly and timely recorded.

Response: See Corrective Action Plan

Section III - Federal Award Findings and Questioned Costs

None reported.

NEW HOPE DEVELOPMENT SERVICES, INC
Summary Schedule of Prior Audit Finding
For the Year Ended June 30, 2019

2019-001	FINDING #1 Recordation of construction-related items at year-end
Condition:	The Organization did not accrue certain revenue and receivables earned and payables incurred during the year ending June 30, 2019 that were billed subsequent to year-end, nor did it capitalize the related construction costs.
Recommendation:	The Organization should consider additional oversight and review throughout the year, particularly at year-end, to ensure all transactions are properly recorded.
Current Status:	Accounts are reconciled periodically and submitted to the Business Manager for review. Both the employee and Supervisor sign off on the worksheet. The CFO reviews all major items as defined to be material on a periodic basis, indicated by a sign off by the CFO. It is noted that there were no material adjustments to construction-related items during the current year's audit.
2019-002	FINDING #2 Construction related costs not properly capitalized
Condition:	The Organization expensed initial preparation costs for construction projects that had not yet started as of year-end.
Recommendation:	The Organization should consider additional oversight and review throughout the year, particularly at year-end, to ensure all transactions are properly recorded.
Current Status:	All income and expense accounts are reviewed for reasonableness. Additionally, expenditures in excess of \$5,000 are reviewed in detail to determine if there are any amounts that should be capitalized. It is noted that there were no material adjustments to capitalized costs in the current year.

Corrective Action Plan

Finding 2020-001:

Management's comments are as follows:

Fixed Assets that are a product of Subcontractors and independent of the organization are reconciled back to the AIA that had been submitted by the contractor monthly. The Fixed Assets that are a product of NHDS being the contractor can't be reconciled by simply using the AIA. There are Purchase Orders that are paid internally for all the individual charges of the asset, unlike those that are projects that subcontracted out. In these instances, we reconcile all aspects related to the asset, which include billing/Income, Receivable, Cash and Payable. In addition, we compare for reasonableness the balance of the asset to the AIA knowing that profit and developer fee are not part of the asset. Furthermore, due to the fact that all Purchase Orders relating to construction assets are approved by Senior Management, we felt there were plenty of checks and balances in order to catch any issues that would arise. We will formalize the reconciliation of these fixed assets as part of the quarterly cycle. In this reconciliation performed by John Broady, we will show the AIA as billed added to the total possible purchases made that aren't billable under the grant and make any adjustments for profits and developer fee.

Status:

The Organization believes the finding has been adequately addressed provided the above additional procedures.