



COMMUNITY HOPE, INC. AND AFFILIATES
Combined Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

Community Hope, Inc. and Affiliates
Table of Contents
June 30, 2023 and 2022

Independent Auditor's Report	1-2
Combined Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets	4-5
Combined Statements of Functional Expenses	6-7
Combined Statements of Cash Flows	8
Notes to Financial Statements	9-22

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Community Hope, Inc. and Affiliates:

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of Community Hope, Inc. and Affiliates (the "Organization"), which comprise the combined statements of financial position as of June 30, 2023 and 2022, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Community Hope, Inc. and Affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2 to the combined financial statements, the Organization adopted Topic 842, *Leases*, as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 840, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

January 19, 2024

Community Hope, Inc. and Affiliates
Combined Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 918,726	\$ 946,328
Restricted cash	246,462	256,662
Certificates of deposit	862	862
Investments	5,271,531	-
Government grants and contracts receivable	480,659	620,713
Medicaid receivable	149,837	155,058
Prepaid expenses and other current assets	<u>199,473</u>	<u>227,728</u>
Total current assets	7,267,550	2,207,351
Property and equipment, net of accumulated depreciation	6,901,148	6,928,996
Operating right of use assets, net	1,242,462	-
Security deposits	<u>44,685</u>	<u>44,685</u>
Total assets	<u>\$ 15,455,845</u>	<u>\$ 9,181,032</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,155,234	\$ 1,152,544
Outstanding line of credit	792,000	655,000
Operating lease liability, current portion	321,231	-
Deferred revenue	60,344	132,539
Tenants' security deposits	21,207	19,142
Mortgages payable, current portion	<u>13,745</u>	<u>13,080</u>
Total current liabilities	<u>2,363,761</u>	<u>1,972,305</u>
Long-term liabilities		
Operating lease liability, net of current portion	936,609	-
Notes payable to N.J. Department of Human Services	882,323	885,040
Mortgages payable, net of current portion	731,464	745,233
Notes payable to HUD	<u>2,614,900</u>	<u>2,614,900</u>
Total long-term liabilities	<u>5,165,296</u>	<u>4,245,173</u>
Total liabilities	<u>7,529,057</u>	<u>6,217,478</u>
Net assets		
Without donor restrictions	7,338,018	2,639,786
With donor restrictions	<u>588,770</u>	<u>323,768</u>
Total net assets	<u>7,926,788</u>	<u>2,963,554</u>
Total liabilities and net assets	<u>\$ 15,455,845</u>	<u>\$ 9,181,032</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Community Hope, Inc. and Affiliates
Combined Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public support, contracts, and grants			
Contributions			
Contributions of cash and other financial assets			
Special events, net of direct donor benefits	\$ 830,074	\$ -	\$ 830,074
N.J. Department of Human Services grant	943,967	-	943,967
Supportive services for veteran families program	4,271,211	-	4,271,211
VA per diem program	1,800,985	-	1,800,985
Other grants and contributions	7,312,716	300,245	7,612,961
Contributions of non-financial assets			
Donated services and in-kind donations	315,939	140,000	455,939
Total public support, contracts, and grants	<u>15,474,892</u>	<u>440,245</u>	<u>15,915,137</u>
Revenues			
Fee for service	2,364,847	-	2,364,847
Client support	215,439	-	215,439
Rental assistance	245,525	-	245,525
Other income	48,212	-	48,212
Investment income	46,793	-	46,793
Total revenues	<u>2,920,816</u>	<u>-</u>	<u>2,920,816</u>
Total public support, contracts, grants, and revenues	18,395,708	440,245	18,835,953
Net assets released from restrictions			
Satisfaction of donor restrictions	175,243	(175,243)	-
Total revenues and support	<u>18,570,951</u>	<u>265,002</u>	<u>18,835,953</u>
Expenses			
Program services	11,052,646	-	11,052,646
General and administrative expenses	2,497,894	-	2,497,894
Fundraising	322,179	-	322,179
Total expenses	<u>13,872,719</u>	<u>-</u>	<u>13,872,719</u>
Changes in net assets	4,698,232	265,002	4,963,234
Net assets			
Beginning of year	<u>2,639,786</u>	<u>323,768</u>	<u>2,963,554</u>
End of year	<u>\$ 7,338,018</u>	<u>\$ 588,770</u>	<u>\$ 7,926,788</u>

The Notes to Combined Financial Statements are an integral part of this statement.

Community Hope, Inc. and Affiliates
Combined Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public support, contracts, and grants			
Contributions			
Contributions of cash and other financial assets			
Special events, net of direct donor benefits	\$ 859,017	\$ -	\$ 859,017
N.J. Department of Human Services grant	684,012	-	684,012
Supportive services for veteran families program	6,616,172	-	6,616,172
VA per diem program	1,433,284	-	1,433,284
Other grants and contributions	1,140,848	427,036	1,567,884
Contributions of non-financial assets			
Donated services and in-kind donations	322,584	-	322,584
Total public support, contracts, and grants	<u>11,055,917</u>	<u>427,036</u>	<u>11,482,953</u>
Revenues			
Fee for service	2,655,707	-	2,655,707
Client support	228,888	-	228,888
Rental assistance	235,299	-	235,299
Other income	15,394	-	15,394
Interest income	5,241	-	5,241
Total revenues	<u>3,140,529</u>	<u>-</u>	<u>3,140,529</u>
Total public support, contracts, grants, and revenues	14,196,446	427,036	14,623,482
Net assets released from restrictions			
Satisfaction of donor restrictions	290,028	(290,028)	-
Total revenues and support	<u>14,486,474</u>	<u>137,008</u>	<u>14,623,482</u>
Expenses			
Program services	12,394,313	-	12,394,313
General and administrative expenses	2,367,347	-	2,367,347
Fundraising	304,598	-	304,598
Total expenses	<u>15,066,258</u>	<u>-</u>	<u>15,066,258</u>
Changes in net assets	(579,784)	137,008	(442,776)
Net assets			
Beginning of year	<u>3,219,570</u>	<u>186,760</u>	<u>3,406,330</u>
End of year	<u>\$ 2,639,786</u>	<u>\$ 323,768</u>	<u>\$ 2,963,554</u>

The Notes to Combined Financial Statements are an integral part of this statement.

Community Hope, Inc. and Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services								Total Program Services	Supporting Services		Total Supporting Services	Total
	Consumer Programs	Eviction Diversion Initiative	Women Veteran Housing	Fox	VA Programs	AJT Programs	SSVF Programs	HUD 811 Programs		General and Administrative	Fundraising		
Payroll and payroll taxes	\$ 2,078,950	\$ 225,279	\$ 1,906	\$ 181,736	\$ 887,047	\$ 365,526	\$ 1,512,047	\$ -	\$ 5,252,491	\$ 1,689,255	\$ 202,692	\$ 1,891,947	\$ 7,144,438
Fringe benefits	296,415	32,120	272	25,912	126,475	52,116	215,587	-	748,897	240,852	28,900	269,752	1,018,649
Professional fees	145,794	9,851	371	8,980	60,520	18,888	68,526	16,843	329,773	169,810	36,150	205,960	535,733
Office and household expenses	41,891	818	6	1,194	63,095	9,442	10,607	1,565	128,618	68,702	12,691	81,393	210,011
Client food	72,207	-	-	-	9,547	-	4,862	-	86,616	4,148	-	4,148	90,764
Lease expense	133,164	-	-	19,048	141,294	6,819	161,183	-	461,508	39,732	4,555	44,287	505,795
Home equipment and maintenance	403,558	8,249	397	27,131	116,227	18,901	101,134	51,976	727,573	114,050	19,410	133,460	861,033
Utilities	182,714	-	-	1,168	2,630	10,262	9,993	58,419	265,186	4,825	804	5,629	270,815
Insurance	151,826	2,706	1,365	3,318	23,084	6,810	37,204	-	226,313	49,323	-	49,323	275,636
Client assistance	12,844	-	-	283	218,692	1,675	15,781	-	249,275	2,297	-	2,297	251,572
Temporary financial assistance	-	192,940	-	-	-	-	1,743,731	-	1,936,671	-	-	-	1,936,671
Transportation	34,892	-	-	408	15,960	1,433	20,334	-	73,027	7,551	-	7,551	80,578
Communications	83,951	4,674	-	5,500	29,588	6,562	45,608	-	175,883	31,677	2,011	33,688	209,571
Training, conferences, and meetings	4,198	341	-	6,504	2,174	572	8,534	-	22,323	11,923	493	12,416	34,739
Personnel recruitment/advertising	3,203	105	2	255	5,305	561	7,742	-	17,173	2,778	1,237	4,015	21,188
Event expenses	-	-	-	-	32,319	-	-	-	32,319	55	164,230	164,285	196,604
Interest expense	16,895	-	-	-	-	-	-	-	16,895	55,824	-	55,824	72,719
Total expenses before depreciation and amortization	3,662,502	477,083	4,319	281,437	1,733,957	499,567	3,962,873	128,803	10,750,541	2,492,802	473,173	2,965,975	13,716,516
Depreciation and amortization	197,047	-	-	-	23,998	-	5,013	76,047	302,105	5,092	13,236	18,328	320,433
	3,859,549	477,083	4,319	281,437	1,757,955	499,567	3,967,886	204,850	11,052,646	2,497,894	486,409	2,984,303	14,036,949
Less: direct donor benefits	-	-	-	-	-	-	-	-	-	-	(164,230)	(164,230)	(164,230)
Total functional expenses	\$ 3,859,549	\$ 477,083	\$ 4,319	\$ 281,437	\$ 1,757,955	\$ 499,567	\$ 3,967,886	\$ 204,850	\$ 11,052,646	\$ 2,497,894	\$ 322,179	\$ 2,820,073	\$ 13,872,719

The Notes to Combined Financial Statements are an integral part of this statement.

Community Hope, Inc. and Affiliates
Combined Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services							Total Program Services	Supporting Services		Total Supporting Services	Total
	Consumer Programs	Eviction Diversion Initiative	Women Veteran Housing	VA Programs	AJT Programs	SSVF Programs	HUD 811 Programs		General and Administrative	Fundraising		
Payroll and payroll taxes	\$ 2,022,133	\$ 83,256	\$ 1,833	\$ 836,423	\$ 311,196	\$ 1,512,203	\$ -	\$ 4,767,044	\$ 1,480,577	\$ 199,960	\$ 1,680,537	\$ 6,447,581
Fringe benefits	276,396	11,078	244	113,257	41,964	206,735	-	649,674	202,761	28,856	231,617	881,291
Professional fees	116,316	2,212	65	62,743	49,291	82,806	15,837	329,270	274,692	11,674	286,366	615,636
Office and household expenses	34,555	508	262	49,708	9,251	1,875	889	97,048	56,429	16,908	73,337	170,385
Client food	64,945	-	-	7,406	-	-	-	72,351	-	-	-	72,351
Rents	157,508	-	-	109,421	-	96,079	-	363,008	38,476	11,975	50,451	413,459
Home equipment and maintenance	342,850	13,201	4,964	150,431	19,826	82,970	41,299	655,541	114,836	15,529	130,365	785,906
Utilities	157,650	-	-	2,555	10,611	10,671	53,217	234,704	21,532	1,321	22,853	257,557
Insurance	95,606	262	262	20,746	5,489	42,313	-	164,678	89,961	-	89,961	254,639
Client assistance	21,923	-	-	164,990	560	15,068	-	202,541	1,207	-	1,207	203,748
Temporary financial assistance	-	-	-	-	-	4,057,983	-	4,057,983	-	-	-	4,057,983
Transportation	30,142	-	-	16,766	1,272	15,671	-	63,851	11,508	-	11,508	75,359
Communications	68,486	2,570	-	28,709	6,060	42,432	-	148,257	13,921	1,575	15,496	163,753
Training, conferences, and meetings	9,655	97	-	3,679	2,225	3,590	-	19,246	6,547	917	7,464	26,710
Vehicle lease	37,659	-	-	8,797	6,819	124,654	-	177,929	18,756	-	18,756	196,685
Personnel recruitment/advertising	5,768	-	-	2,177	623	4,904	-	13,472	1,304	1,277	2,581	16,053
Event expenses	-	-	-	33,738	-	-	-	33,738	350	123,233	123,583	157,321
Interest expense	13,445	-	-	-	-	-	-	13,445	17,311	-	17,311	30,756
Total expenses before depreciation and amortization	3,455,037	113,184	7,630	1,611,546	465,187	6,299,954	111,242	12,063,780	2,350,168	413,225	2,763,393	14,827,173
Depreciation and amortization	205,308	-	-	34,288	224	11,180	79,533	330,533	17,179	14,606	31,785	362,318
	3,660,345	113,184	7,630	1,645,834	465,411	6,311,134	190,775	12,394,313	2,367,347	427,831	2,795,178	15,189,491
Less: direct donor benefits	-	-	-	-	-	-	-	-	-	(123,233)	(123,233)	(123,233)
Total functional expenses	\$ 3,660,345	\$ 113,184	\$ 7,630	\$ 1,645,834	\$ 465,411	\$ 6,311,134	\$ 190,775	\$ 12,394,313	\$ 2,367,347	\$ 304,598	\$ 2,671,945	\$ 15,066,258

The Notes to Combined Financial Statements are an integral part of this statement.

Community Hope, Inc. and Affiliates
Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ 4,963,234	\$ (442,776)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	320,433	362,318
Operating right-of-use asset amortization	318,107	-
Unrealized gain on investments	(4,561)	-
Contributions of nonfinancial assets	(140,000)	-
Donated stock	(5,266,970)	-
Changes in operating assets and liabilities:		
Government grants and contracts receivable	140,054	(245,813)
Medicaid receivable	5,221	(1,318)
Prepaid expenses and other current assets	28,255	(89,694)
Accounts payable and accrued expenses	2,690	264,358
Deferred revenue	(72,195)	(160,411)
Tenants' security deposits	2,065	-
Operating lease liability	(302,729)	-
Net cash used in operating activities	<u>(6,396)</u>	<u>(313,336)</u>
Investing activities		
Purchase of property and equipment	(152,585)	(262,916)
Redemption of certificates of deposit	<u>-</u>	<u>108,998</u>
Net cash used in investing activities	<u>(152,585)</u>	<u>(153,918)</u>
Financing activities		
Net change in line of credit	137,000	455,000
Repayments of mortgages and notes payables	<u>(15,821)</u>	<u>(31,060)</u>
Net cash provided by financing activities	<u>121,179</u>	<u>423,940</u>
Net change in cash, cash equivalents and restricted cash	(37,802)	(43,314)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,247,675</u>	<u>1,290,989</u>
End of year	<u>\$ 1,209,873</u>	<u>\$ 1,247,675</u>
Reconciliation of cash, cash equivalents, and restricted cash to Statements of financial position		
Cash and cash equivalents	\$ 918,726	\$ 946,328
Restricted cash	246,462	256,662
Security deposits	<u>44,685</u>	<u>44,685</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,209,873</u>	<u>\$ 1,247,675</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 72,719</u>	<u>\$ 32,623</u>

The Notes to Combined Financial Statements are an integral part of these statements.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

1. NATURE OF BUSINESS

Community Hope, Inc. ("Hope") is a New Jersey non-profit corporation, formed to develop and provide community-based services designed to meet the individual needs of persons with mental illness, including a full continuum of care, to educate the community about mental illness, and to collaborate with other public and private agencies and organizations devoted to this purpose. Hope has various mental health, veterans, eviction diversion and other programs and owns and operates various supportive housing facilities in the northern New Jersey area.

Brittin Street, LLC ("Brittin") is a single member New Jersey Limited Liability Corporation that owns a single-family home, which is used to further the mission of the Organization by providing an additional four units of affordable housing for individuals suffering from severe and persistent mental illnesses.

Hope has overlapping boards with seven HUD Corporations: Carmela Lunt Corporation, Eileen Corporation, Jane Smith Corporation, Carol MacLean Corporation, Mary Patricia Murphy Corporation, Mildred Conroy Corporation and Sandy Mayer Corporation, (collectively the "HUD Corporations"). The HUD Corporations are New Jersey non-profit corporations formed to provide group housing to meet the individual needs of persons with mental illness. Each entity owns and maintains a building under the HUD Section 811 program.

Community Hope Foundation, Inc. (the "Foundation") is a New Jersey non-profit corporation, formed to operate exclusively for the benefit of, to perform the fundraising functions of, and to carry out the purposes of Community Hope, Inc, a New Jersey not for profit corporation and the Foundation's sole corporate member.

Community Hope, Inc. and Affiliates (collectively the "Organization") receives significant funding from government grants, contributions and special events, Medicaid and other fee for service revenue and other sources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Combination

The accompanying combined financial statements consist of Hope, Brittin, the HUD Corporations and the Foundation. All material inter-company accounts and transactions have been eliminated.

Basis of Accounting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Organization classifies resources into the following two categories:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Tax Status

Hope and the HUD Corporations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation is exempt from federal and state income taxes under Section 501(c)(3) and is a Type I supporting organization under IRC 509(a)(3). Brittin is a single member LLC and disregarded entity for tax purposes.

US GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements. There has been no tax related interest or penalties for the periods presented in these combined financial statements.

Accounting Estimates

The preparation of the combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates included in these financial statements relate to operating right of use assets and lease liability (see Note 14).

Cash, Cash Equivalents and Restricted Cash

The Organization considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash consists of tenant security deposits in addition to replacement reserves and residual receipts accounts which are required to be maintained by the U.S. Department of Housing and Urban Development ("HUD") (see Note 4).

Certificates of Deposits

Certificates of deposit are recorded at cost plus accrued interest. Investment income is reflected in the statements of activities and changes in net assets as increases or decreases in without donor restriction net assets unless the use was restricted by explicit donor stipulations or by law.

Investments

Investments are reported at fair value, which is determined by using quoted market prices, where available. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the combined statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law. Donated securities are recorded at fair value on the date of receipt. Purchases and sales and related expenses are accounted for on a trade date basis.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Organization's assumptions (unobservable inputs). The Organization groups assets at fair value in their levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

These levels are:

Level 1 - Quoted market prices in active markets for identical assets and liabilities.

Level 2 - Other observable inputs, including quoted market prices of similar assets and liabilities in active and inactive markets, quoted prices for identical or similar assets in non-active markets, and other inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Receivables and Allowances for Doubtful Accounts

Grants receivable and Medicaid receivables represent collectible current balances due from the agencies. It is the Organization's policy to evaluate the collectability of receivables and provide for an allowance on receivables based on management's assessment of historical and expected collections, business economic conditions and other collection indicators and/or anticipated collection amounts. The allowance for doubtful accounts on grants receivable and Medicaid receivables amounted to \$-0- as of June 30, 2023 and 2022. Grants receivable and Medicaid receivable are expected to be collected within the next year.

Property and Equipment

Property and equipment are carried at cost for purchased items and at fair market value for contributed items. The Organization capitalizes any expenditure for items \$5,000 or greater. Major improvements are capitalized and depreciated over their useful lives. Maintenance and repairs are treated as expenses. Depreciation and amortization are provided in amounts sufficient to write off the costs of depreciable assets, less salvage value, over their estimated useful lives. Depreciation is computed by using the straight-line method over the estimated useful lives of the depreciable assets (See Note 6).

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as net assets without restrictions support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these combined financial statements.

Revenue and Support Recognition

The Organization derives its revenue and other support from federal and state awards that are cost reimbursement grants or fee for service revenue. Additionally, the Organization receives support from fundraising activities, such as special events, and contributions. Under ASC Topic 606, revenue is recognized when performance obligations to a customer are satisfied, and revenue is earned. The Organization also applies the guidance under Topic 958 - *Non-Profit Entities* to recognize support received that is not subject to revenue recognition under ASC Topic 606.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Fee for service

The Organization's fee for service revenues, including Medicaid income and client support, relate to contracts with consumers in which the performance obligation is to provide certain counseling and related services. The Organization recognizes revenues in the period in which obligations to provide such services are satisfied and reports the amount that reflects the consideration to which the Organization is expected to be entitled. The Organization's performance obligations are generally satisfied at a point in time. The contractual relationships with consumers also involve a third-party payer (e.g., Medicaid or federal/state government agency) and the transaction price for the services provided are dependent upon the term provided by the third-party payer.

Third Party Payor

The Organization has agreements with third-party payors that provide for the payment for the fee for services rendered at amounts different from its established rates. A summary of the payment arrangement with major third-party payors is as follows:

Medicaid and State of New Jersey: The Organization is paid for residential and day program services under the state of New Jersey Medicaid program and New Jersey Department of Human Services Contracted Provider program for certain services. State regulations provide certain adjustments to current and prior years' payment rates, based on published rates and tiers of the individuals being served.

Other Third-Party Payors: The Organization has entered into payment agreements with various insurance carriers. The basis for payment to the Organization under these agreements includes contractually determined amounts.

Performance Obligations

Each program participant has a contract with the Organization and the rates and other information for service are provided to the Organization by the State of New Jersey through the Medicaid and Contracted Provider program and from the insurance carriers. The Organization records service revenue at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing program services. Program service revenue consists of amounts charged for services rendered less estimated discounts for contractual and other allowances.

Generally, the Organization bills the fee for service revenue to the state of New Jersey through the Medicaid program and its insurance carriers on a weekly basis.

Performance obligations are determined based on the nature of the services provided by the Organization and are generally broken down into incremental units of service based on hours or service provided. Program service revenue for performance obligations is satisfied at a point in time and is recognized based on actual charges incurred in relation to services provided. The Organization believes that this method provides a reasonable depiction of the transfer of services to satisfy the obligation.

Amounts received under Medicaid and other insurance programs are subject to review and final determination by program intermediaries or their agents, and the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims. The Organization does not believe that adjustments, if any, resulting from audits would be material to the Organization's combined financial statements.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Laws and regulations governing the Medicaid programs are complex and subject to interpretation. As a result, there is a possibility that recorded estimates could change by a material amount if, under audit, charges are disallowed. Management periodically reviews recorded amounts receivable from, or payable to third-party payors and adjusts these balances as new information becomes available.

Contract Assets, Receivables and Contract Liabilities

Contract assets represent services provided which are not yet billed to the third-party payor or the consumer. Contract liabilities represent funds received in advance of services provided. Receivables represent amounts billed for the services provided.

The following represents contract assets, receivables and contract liabilities at June 30, 2023 and 2022:

	Medicaid Receivables		Deferred revenue	
	2023	2022	2023	2022
Beginning of year	\$ 155,058	\$ 153,740	\$ 132,539	\$ 292,950
End of Year	\$ 149,837	\$ 155,058	\$ 60,344	\$ 132,539

Rental Income

Rental income is charged based on established rates and recorded monthly. Rental income is provided by tenants, HUD and the New Jersey Department of Community Affairs through Supportive Housing.

Special Events

Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized at the point in time when the fundraising event occurs.

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as refundable advances. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the combined statements of financial position. Grants and contributed income of cash or other assets that must be used to acquire long lived assets are recorded as contributions with donor restrictions until the assets are acquired and placed in service, except where funding agreements require alternative accounting treatment.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the combined statements of financial position. The Organization had no finance leases during 2023 and 2022.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. The services are accounted for separately and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on the risk-free rate. Right of use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Donated Services

The Organization recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and will typically need to be purchased if not provided by donation (Note 11).

Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on the combined statements of activities and changes in net assets and detailed within the combined statements of functional expenses. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and employee benefits which are allocated based on time and effort, rent and general insurance which are allocated based on payroll, and depreciation which is allocated based on the function the asset services. All other significant expenses are categorized on a direct basis.

Newly Adopted Accounting Pronouncements

Leases

During 2023, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact on the combined statements of activities and changes in net assets or cash flows.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Upon adoption, the Organization recognized \$1,257,811 in operating right-of-use ("ROU") assets. Corresponding operating lease liabilities of \$1,257,811 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

3. LIQUIDITY AND AVAILABILITY

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and payment of payables and other liabilities, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 918,726	\$ 946,328
Restricted cash	246,462	256,662
Certificates of deposit	862	862
Investments	5,271,531	-
Government grants and contracts receivable	480,659	620,713
Medicaid receivable	<u>149,837</u>	<u>155,058</u>
	7,068,077	1,979,623
Less those unavailable for general expenditures within one year, due to		
Net assets with donor restrictions	(588,770)	(323,768)
Restricted cash	<u>(246,462)</u>	<u>(256,662)</u>
	<u>(835,232)</u>	<u>(580,430)</u>
Total financial assets available	6,232,845	1,399,193
Liquidity resources		
Undrawn line of credit	<u>253,000</u>	<u>390,000</u>
Total financial assets and liquidity resources	<u>\$ 6,485,845</u>	<u>\$ 1,789,193</u>

The Organization receives restricted donations and, because a donor's restriction requires resources to be used in a particular manner, the Organization must maintain sufficient resources to meet those responsibilities to those donors. In addition, the Organization acts as an escrow agent for resident's security deposits. Funds are segregated and maintained in interest bearing accounts. Both donor restricted funds and tenant security deposits are unavailable for general expenditures within one year.

The goal of the Organization's liquidity management is to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. To achieve that goal, all programs have board approved budgets and EBIDA targets. Results are reviewed monthly with senior management, program heads, and the finance committee of the board. In addition, cash balances are reviewed daily, and forecasts are prepared and reviewed bi-weekly. The Organization has the ability to borrow short term from a line of credit. As of June 30, 2023, the Organization had \$792,000 outstanding and \$253,000 available from the line. The Foundation had reserves of approximately \$5,700,000 as of June 30, 2023. These funds are held as general reserve and are not available to meet current obligations, without the explicit approval of the Foundation Board.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

4. RESTRICTED CASH

Under agreements with HUD, the HUD Corporations are required to deposit specified amounts into a replacement reserve account to provide for the future major repairs and replacement requirements of the property. As of June 30, 2023 and 2022, all required payments have been made. Use of these funds is contingent upon HUD's prior written approval. The HUD Corporations are also required to deposit excess cash into a restricted residual receipts account at the end of each year. Once funds are deposited, they may not be released without prior HUD approval or may be required to be sent back to HUD. The HUD Corporations also maintain funds from tenants and any accrued interest earned on the account. These funds are refundable to the tenant upon their departure from the property.

5. INVESTMENTS AND FAIR VALUE

The carrying value and fair value of investments was as follows at June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stocks	\$ 5,133,782	\$ 5,133,782	\$ -	\$ -
Fixed income	35,010	-	35,010	-
Fixed income mutual funds	<u>102,739</u>	<u>102,739</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,271,531</u>	<u>\$ 5,236,521</u>	<u>\$ 35,010</u>	<u>\$ -</u>

There were no investments at June 30, 2022.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Description</u>	<u>Estimated Life (Years)</u>	<u>2023</u>	<u>2022</u>
Land	N/A	\$ 2,237,231	\$ 2,097,231
Buildings and improvements	7-35	10,372,289	10,219,702
Vehicles	5	758,213	800,965
Furniture and fixtures	5-7	1,338,820	1,338,822
Software	3	<u>168,798</u>	<u>168,797</u>
		14,875,351	14,625,517
Less: Accumulated depreciation		<u>7,974,203</u>	<u>7,696,521</u>
Property and equipment, net		<u>\$ 6,901,148</u>	<u>\$ 6,928,996</u>

Depreciation expense amounted to \$320,433 and \$362,318 at June 30, 2023 and 2022, respectively.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

7. NOTES PAYABLE TO HUD

The HUD Corporations received capital advance funding from HUD under the Section 811 program. The HUD Corporations are obligated to HUD for repayment of the notes should the Organization fail to operate the facilities as community residences under HUD's guidelines. The notes, among other things, provide that annual principal and interest payments shall be waived provided the HUD Corporations satisfy the terms of the agreement. The notes are set to mature between the years 2042 and 2045.

The balances outstanding at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Mary Patricia Murphy Corporation	\$ 364,200	\$ 364,200
Mildred Conroy Corporation	409,300	409,300
Sandy Mayer Corporation	384,400	384,400
Carmela Lunt Corporation	357,900	357,900
Carol MacLean Corporation	370,600	370,600
Eileen Corporation	357,900	357,900
Jane Smith Corporation	370,600	370,600
	<u>\$ 2,614,900</u>	<u>\$ 2,614,900</u>

8. MORTGAGES PAYABLE

Mortgages payable consist of the following:

	<u>2023</u>	<u>2022</u>
Mortgage payable to a financial institution in monthly installments of \$997 including interest at 5.25% through August 2037. The mortgage is collateralized by the property.	\$ 119,416	\$ 124,955
Mortgage payable to NJ Dept. of Human Services. The mortgage is non-interest bearing and has no required principal payments. The mortgage is collateralized by the property.	89,050	89,050
Mortgage payable with the NJ Housing Mortgage Finance Agency. The mortgage is non-interest bearing, has no required principal payments, and no stated maturity date. The mortgage is collateralized by the property. Included in other current assets is escrow of \$47,929, relating to this mortgage.	325,291	325,291
Mortgage payable to a financial institution in monthly installments of \$438.44 including interest at 5.00% through December 2040. The mortgage is collateralized by the property.	60,942	63,056
Mortgage payable to a financial institution in monthly installments of \$406.01 including interest at 5.00% through April 2041. The mortgage is collateralized by the property.	<u>57,096</u>	<u>59,020</u>
Subtotal	651,795	661,372

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Subtotal from previous page	651,795	661,372
Mortgage payable to a financial institution in monthly installments of \$224.63 including interest at 5.00% through August 2043. The mortgage is collateralized by the property.	33,991	34,937
Mortgage payable to a financial institution in monthly installments of \$433.56 including interest at 4.25% through April 2039. The mortgage is collateralized by the property.	<u>59,423</u>	<u>62,004</u>
	745,209	758,313
Less: Current portion	<u>13,745</u>	<u>13,080</u>
Mortgages payable, net of current portion	<u>\$ 731,464</u>	<u>\$ 745,233</u>

Future maturities of mortgages payable are as follows as June 30,

2024	\$ 13,745
2025	14,477
2026	15,223
2027	15,995
2028	16,791
2029 and thereafter	<u>668,978</u>
	<u>\$ 745,209</u>

9. LINE OF CREDIT

The Organization has a line of credit agreement with Spencer Savings Bank. The line is secured by three properties as collateral (74 Brittin Street, 10 Trafalgar Court, and 228 Pleasant Hill Road) and expires December 31, 2029. The line of credit calls for an interest rate of prime plus 0.50% with a minimum of 3.75%, which as of June 30, 2023 and 2022 was 8.75% and 5.25%, respectively. The line is subject to annual renewal in January of each year and the maximum limit is \$1,045,000. The outstanding principal balance on the line as of June 30, 2023 and 2022 was \$792,000 and \$655,000, respectively. The Organization must maintain a minimum debt service coverage ratio of 1.25 to 1. As of June 30, 2023 and 2022, the Organization was not in compliance with one of their covenants and obtained a waiver of the covenant requirement.

10. NOTES PAYABLE TO N.J. DEPARTMENT OF HUMAN SERVICES

Hope and one of its Affiliates have received monies from the State of New Jersey Department of Human Services (the "Department") to be utilized in purchasing and renovating various facilities. Hope and the Affiliate are obligated to the Department for repayment of the notes should Hope and the Affiliate fail to operate the facilities as community residences under the Department's guidelines. The notes, among other things, provide that annual principal and interest payments shall be waived provided Hope and the Affiliate satisfy the terms of the agreement. In the event of a default, the Department, at its option, could require, instead of payment of money by Hope and the Affiliate, that Hope, and the Affiliate convey title to the Department or to another Department designated not-for-profit corporation. As of June 30, 2023, the Organization is working with the State of New Jersey to renew notes #3, #4, and #5. The State of New Jersey has instructed the Organization to treat the notes as if they were in full effect until the renewals are official.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

The balances outstanding at June 30, 2023 and 2022 are as follows:

June 30, 2023								Total Obligation
#1	#2	#3	#4	#5	#6	#7		
Date of Note	02/24/04	02/24/04	02/24/04	10/01/98	02/24/04	11/30/06	05/02/03	\$ 882,323
Original Amount of Note	\$ 118,693	\$ 150,632	\$ 331,967	\$ 121,400	\$ 102,200	\$ 50,635	\$ 50,019	
Principal Balance	\$ 118,693	\$ 150,632	\$ 331,967	\$ 121,400	\$ 102,200	\$ 7,412	\$ 50,019	
Maturity Date	03/09/27	10/22/37	08/09/17	01/13/19	08/20/19	02/28/26	05/20/23	
Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Date to which interest is paid	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
June 30, 2022								Total Obligation
#1	#2	#3	#4	#5	#6	#7		
Date of Note	02/24/04	02/24/04	02/24/04	10/01/98	02/24/04	11/30/06	05/02/03	\$ 885,040
Original Amount of Note	\$ 118,693	\$ 150,632	\$ 331,967	\$ 121,400	\$ 102,200	\$ 50,635	\$ 50,019	
Principal Balance	\$ 118,693	\$ 150,632	\$ 331,967	\$ 121,400	\$ 102,200	\$ 10,129	\$ 50,019	
Maturity Date	03/09/27	10/22/37	08/09/17	01/13/19	08/20/19	02/28/26	05/20/23	
Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Date to which interest is paid	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

11. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the combined statements of activities and changes in net assets included the following:

	2023	2022
Food	\$ 21,474	\$ 21,524
Clothing	174,591	92,150
Household goods	21,917	44,063
Auction items	-	41,574
Legal services	97,957	123,273
Land	140,000	-
	<u>\$ 455,939</u>	<u>\$ 322,584</u>

The Organization recognized contributed nonfinancial assets within revenue, including household goods, food, clothing, auction items and services and land. Contributed nonfinancial assets did not have donor-imposed restrictions except for the land donation which was restricted as to use. Contributed food, household goods and clothing were used in the Consumer, Veterans Affairs, Alfred J. Thomas and Support Services for Veteran Families ("SSVF") programs. In valuing household goods, food and clothing, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed auction items were valued based on comparable wholesale values. Contributed services recognized comprise professional services from attorneys advising the Organization on various administrative and programmatic legal matters. Contributed services are valued and are reported at their estimated fair value based on current rates for similar legal services. Contributed land was valued by a qualified appraiser based on comparable properties.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

12. PENSION PLAN

The Organization has adopted an IRS approved 401(k) defined contribution pension plan covering all employees that meet certain age and service requirements. The plan allows for employees to elect in, and to participate in, a salary reduction 401(k) plan in which the Organization makes discretionary matching contributions. The Organization made contributions to the plan totaling \$46,223 and \$23,358 for the years ended June 30, 2023 and 2022, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
VA program	\$ 209,892	\$ 157,012
Affordable Housing Program	103,080	98,980
Supportive services for veteran families program	5,000	6,659
Women's veterans	123,244	47,500
Land restricted to use	140,000	-
Other programs	<u>7,554</u>	<u>13,617</u>
	<u>\$ 588,770</u>	<u>\$ 323,768</u>

Net assets were released from donor restrictions as follows:

	<u>2023</u>	<u>2022</u>
VA program	\$ 102,849	\$ 225,265
Affordable Housing Program	8,900	1,020
Supportive services for veteran families program	16,159	34,618
Other programs	<u>47,335</u>	<u>29,125</u>
	<u>\$ 175,243</u>	<u>\$ 290,028</u>

14. LEASES

The Organization leases its operating and office facilities for various terms under long-term, non-cancelable operating lease agreements. The Organization leases office space in Parsippany, New Jersey which expires in July 2028 (the "building lease"). The Organization has a lease to assist the Organization in finding vehicles to support its SSVF programs. Under the terms of the agreement, as vehicles are purchased through a fleet management organization, and they are leased to the Organization under an operating lease. As of June 30, 2023, the Organization leased 36 vehicles due to expire between fiscal year 2024 and 2027.

The building lease provides for increases in future minimum annual rental payments based on defined increases in the lease agreements. Also, the building lease agreement requires the Organization to utility cost as stated in the agreement. Lastly, the building lease including a clause indicating the Organization has access to a tenant improvement allowance to perform construction on the facility. However, if the allowance is not used, the agreement allows for it to be applied against future lease payments. The Organization has a remaining tenant improvement allowance of \$400,000 which has been accounted for as a reduction in lease payments based on the timing of when the incentive will be utilized.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

Because the rates implicit in the lease is not available, the Organization utilized the risk-free rate as the discount rate as of date of adoption or date of lease for leases entered into in the current period. The weighted average discount rate associated with operating leases as of June 30, 2023 is 2.84%. The weighted average remaining term of the operating lease is 4.16 years. Operating lease expense for the year ended June 30, 2023 amounted to \$355,958. Cash paid for amounts included in the measurement of operating leases was \$340,579 as of June 30, 2023.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of the years ending June 30:

2024	\$	354,360
2025		281,328
2026		278,390
2027		209,739
2028		204,261
Thereafter		<u>17,282</u>
		1,345,360
Less: Imputed interest		<u>(87,520)</u>
Operating lease liability	\$	<u>1,257,840</u>

15. COMMITMENTS AND CONTINGENCIES

Commitments

The Organization operates the Hope for Veterans program, a transitional housing program for veterans who are at risk of being homeless. Program services are designed to prevent homelessness for veterans and their families in the SSVF program. For the years ended June 30, 2023 and 2022, under the agreement, the Organization was required to pay the Veterans Administration a user fee of \$8.41 per veteran per day for each veteran who occupies a unit in the housing facility. The user fee is included in total lease expense in 2023 and rent expense in 2022 in the statements of functional expenses.

Contingencies

Hope had purchased several residences with grants provided by the County of Morris HOME Investment Partnership Program. The County of Morris has filed liens against the related properties. Provided Hope complies with provisions of the grants, which include maintaining the residences as group homes for a specified period of 20 years, the liens will expire after 20 years. Current liens are due to expire through fiscal year 2034. The amount outstanding in connection with these liens is \$1,120,689.

The Organization also purchased a home in Parsippany, New Jersey with grant funds received from the Township of Parsippany-Troy Hills. Provided Hope complies with provisions of the grant, which include maintaining the residence as a group home for a specified period of 20 years, the lien will expire after 20 years in year 2036. The amount outstanding in connection with this lien is \$625,000.

In July 1987, the Organization purchased a house in Boonton, New Jersey with funds in the amount of \$220,000 provided by the Morris County Board of Chosen Freeholders. A purchase money mortgage lien has been filed and repayment of these funds will be required should the Organization be found in default of the funding agreement.

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
June 30, 2023 and 2022

The Organization has a funding contract with the New Jersey Department of Mental Health and Addiction Services ("DMHAS") to perform services. Reimbursement received under this contract is subject to review by DMHAS as part of final contract closeout procedure. If assessments by DMHAS are levied, the Organization would be held responsible for returning funds to DMHAS.

16. RELATED PARTY TRANSACTIONS

During the audit periods, the Organization had money under management with a financial institution whereby a director of the Organization is also a director at the financial institution. The total money under management was approximately \$323,000 and \$412,000 at June 30, 2023 and 2022, respectively. The Organization also has a line of credit with the financial institution (Note 9).

17. RISKS AND UNCERTAINTIES AND CONCENTRATIONS

Concentrations of Credit Risk

The Foundation has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations, and cash flows.

The Organization invests in conservative instruments which mainly comprise publicly traded funds. The Organization's investments are exposed to various risks, such as fluctuations in market value and interest rate and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of these securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements. The Organization mitigates risk by diversifying its portfolio among many instruments across a wide range of high-quality securities and industries.

Concentrations of Revenue and Receivables

The Organization administers programs funded primarily by the New Jersey Department of Human Services ("NJ DHS"), Department of Veterans Affairs, Medicaid and HUD. The Organization receives a substantial amount of its funding from these sources. A significant reduction in the level of this funding, if this were to occur, could significantly affect the Organization's programs and activities. For the years ended June 30, 2023 and 2022, the Organization received 63% and 66%, respectively, from 3 funding sources, respectively.

During 2023, the Organization received a bequest which was approximately 25% of total revenue for the year. There were no similar concentrations in 2022.

18. SUBSEQUENT EVENTS

The Organization has evaluated events occurring through January 19, 2024, the date which the financial statements were available to be issued, for possible adjustment to or disclosure in the financial statements. Based on this evaluation, the Organization has determined that no subsequent events have occurred that would require recognition or disclosure in the financial statements.