



COMMUNITY HOPE, INC. AND AFFILIATES
Combined Financial Statements
June 30, 2024 and 2023
With Independent Auditor's Report

Community Hope, Inc. and Affiliates
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June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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 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, 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".

November 13, 2024

Community Hope, Inc. and Affiliates
Combined Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 292,325	\$ 918,726
Restricted cash	236,238	246,462
Certificates of deposit	-	862
Investments	5,224,307	5,271,531
Government grants and contracts receivable	565,884	480,659
Accounts receivable	217,922	149,837
Prepaid expenses and other current assets	<u>175,934</u>	<u>199,473</u>
Total current assets	6,712,610	7,267,550
Noncurrent assets		
Property and equipment, net	6,364,159	6,901,148
Property held for sale	214,465	-
Operating right of use assets, net	1,388,309	1,242,462
Security deposits	<u>44,685</u>	<u>44,685</u>
Total noncurrent assets	<u>8,011,618</u>	<u>8,188,295</u>
 Total assets	 <u>\$ 14,724,228</u>	 <u>\$ 15,455,845</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,166,199	\$ 1,155,234
Outstanding line of credit	192,000	792,000
Operating lease liability, current portion	476,619	321,231
Deferred revenue	245,167	60,344
Tenants' security deposits	24,072	21,207
Mortgages payable, current portion	<u>14,477</u>	<u>13,745</u>
Total current liabilities	<u>2,118,534</u>	<u>2,363,761</u>
Long-term liabilities		
Operating lease liability, net of current portion	894,476	936,609
Notes payable to N.J. Department of Human Services	879,606	882,323
Mortgages payable, net of current portion	716,986	731,464
Notes payable to HUD	<u>2,614,900</u>	<u>2,614,900</u>
Total long-term liabilities	<u>5,105,968</u>	<u>5,165,296</u>
Total liabilities	<u>7,224,502</u>	<u>7,529,057</u>
Net assets		
Without donor restrictions	7,094,316	7,338,018
With donor restrictions	<u>405,410</u>	<u>588,770</u>
Total net assets	<u>7,499,726</u>	<u>7,926,788</u>
 Total liabilities and net assets	 <u>\$ 14,724,228</u>	 <u>\$ 15,455,845</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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support, contracts, and grants			
Contributions			
Contributions of cash and other financial assets			
Special events, net of direct donor benefits	\$ 1,105,712	\$ -	\$ 1,105,712
N.J. Department of Human Services grant	896,928	-	896,928
Supportive services for veteran families program	4,435,215	-	4,435,215
VA per diem program	1,700,425	-	1,700,425
Other grants and contributions	1,733,558	202,266	1,935,824
Contributions of non-financial assets			
Donated services and in-kind donations	167,928	-	167,928
Total public support, contracts, and grants	<u>10,039,766</u>	<u>202,266</u>	<u>10,242,032</u>
Revenues			
Fee for service	2,859,762	-	2,859,762
Client support	239,339	-	239,339
Rental assistance	266,583	-	266,583
Other income	44,430	-	44,430
Investment income	418,156	-	418,156
Total revenues	<u>3,828,270</u>	<u>-</u>	<u>3,828,270</u>
Total public support, contracts, grants, and revenues	13,868,036	202,266	14,070,302
Net assets released from restrictions			
Satisfaction of donor restrictions	385,626	(385,626)	-
Total revenues and support	<u>14,253,662</u>	<u>(183,360)</u>	<u>14,070,302</u>
Expenses			
Program services	11,607,042	-	11,607,042
General and administrative expenses	2,542,756	-	2,542,756
Fundraising	347,566	-	347,566
Total expenses	<u>14,497,364</u>	<u>-</u>	<u>14,497,364</u>
Changes in net assets	(243,702)	(183,360)	(427,062)
Net assets			
Beginning of year	<u>7,338,018</u>	<u>588,770</u>	<u>7,926,788</u>
End of year	<u>\$ 7,094,316</u>	<u>\$ 405,410</u>	<u>\$ 7,499,726</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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	<u>18,395,708</u>	<u>440,245</u>	<u>18,835,953</u>
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	<u>4,698,232</u>	<u>265,002</u>	<u>4,963,234</u>
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 Functional Expenses
Year Ended June 30, 2024

	Program Services								Total Program Services	Supporting Services		Total Supporting Services	Total
	Consumer Programs	GPD Case Management	Women Veteran Housing	Fox	VA Programs	AJT Programs	SSVF Programs	HUD 811 Programs		General and Administrative	Fundraising		
Payroll and payroll taxes	\$ 2,299,627	\$ 35,578	\$ 7,532	\$ 398,885	\$ 1,057,474	\$ 340,555	\$ 1,471,974	\$ -	\$ 5,611,625	\$ 1,771,479	\$ 238,073	\$ 2,009,552	\$ 7,621,177
Fringe benefits	315,560	4,882	1,034	54,736	145,110	46,732	201,988	-	770,042	227,402	32,669	260,071	1,030,113
Professional fees	134,852	1,038	596	16,252	67,743	15,434	67,479	18,100	321,494	66,352	21,908	88,260	409,754
Office and household expenses	34,985	246	149	1,917	93,949	11,936	4,759	1,002	148,943	62,479	23,284	85,763	234,706
Client food	89,747	-	-	-	22,839	-	13	-	112,599	-	-	-	112,599
Lease expense	188,496	3,861	-	36,374	232,080	9,059	221,976	-	691,846	70,010	7,151	77,161	769,007
Home equipment and maintenance	414,341	5,495	1,349	16,647	115,931	18,924	73,422	68,487	714,596	181,500	18,121	199,621	914,217
Utilities	138,687	10	-	1,570	2,593	10,343	6,525	41,335	201,063	2,701	792	3,493	204,556
Insurance	172,889	1,719	1,649	8,608	22,791	7,310	49,024	-	263,990	46,845	-	46,845	310,835
Client assistance	16,735	-	50	-	170,902	290	7,483	-	195,460	45	-	45	195,505
Temporary financial assistance	-	174	-	-	-	-	1,930,128	-	1,930,302	-	-	-	1,930,302
Transportation	42,208	82	-	2,299	18,367	1,838	20,072	-	84,866	1,467	23	1,490	86,356
Communications	88,350	1,418	-	10,429	27,036	6,361	45,149	-	178,743	36,834	2,785	39,619	218,362
Training, conferences, and meetings	5,039	204	481	7,122	2,655	1,149	7,077	-	23,727	11,160	512	11,672	35,399
Personnel recruitment/advertising	7,046	733	104	384	2,254	2,113	1,493	-	14,127	5,006	2,248	7,254	21,381
Event expenses	99	-	-	-	34,126	-	-	-	34,225	915	205,242	206,157	240,382
Interest expense	16,253	-	-	-	-	-	-	-	16,253	57,263	-	57,263	73,516
Total expenses before depreciation and amortization	3,964,914	55,440	12,944	555,223	2,015,850	472,044	4,108,562	128,924	11,313,901	2,541,458	552,808	3,094,266	14,408,167
Depreciation and amortization	202,900	-	-	-	14,474	-	-	75,767	293,141	1,298	-	1,298	294,439
	4,167,814	55,440	12,944	555,223	2,030,324	472,044	4,108,562	204,691	11,607,042	2,542,756	552,808	3,095,564	14,702,606
Less: direct donor benefits	-	-	-	-	-	-	-	-	-	-	(205,242)	(205,242)	(205,242)
Total functional expenses	\$ 4,167,814	\$ 55,440	\$ 12,944	\$ 555,223	\$ 2,030,324	\$ 472,044	\$ 4,108,562	\$ 204,691	\$ 11,607,042	\$ 2,542,756	\$ 347,566	\$ 2,890,322	\$ 14,497,364

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 Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating activities		
Changes in net assets	\$ (427,062)	\$ 4,963,234
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	294,439	320,433
Operating right-of-use asset amortization	421,197	318,107
Realized and unrealized gains on investments	(215,778)	(4,561)
Contributions of nonfinancial assets	-	(140,000)
Gain on sale of property and equipment	(21,373)	-
Donated stock	-	(5,266,970)
Changes in operating assets and liabilities:		
Government grants and contracts receivable	(85,225)	140,054
Accounts receivable	(68,085)	5,221
Prepaid expenses and other current assets	23,539	28,255
Accounts payable and accrued expenses	10,965	2,690
Deferred revenue	184,823	(72,195)
Tenants' security deposits	2,865	2,065
Operating lease liability	(453,789)	(302,729)
Net cash used in operating activities	<u>(333,484)</u>	<u>(6,396)</u>
Investing activities		
Purchases of property and equipment	(124,787)	(152,585)
Sale of property and equipment	174,245	-
Maturity of certificate of deposit	862	-
Purchases of investments	(2,292,845)	-
Proceeds from sale of investments	<u>2,555,847</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>313,322</u>	<u>(152,585)</u>
Financing activities		
Net change in line of credit	(600,000)	137,000
Repayments of mortgages and notes payables	<u>(16,463)</u>	<u>(15,821)</u>
Net cash (used in) provided by financing activities	<u>(616,463)</u>	<u>121,179</u>
Net change in cash, cash equivalents and restricted cash	(636,625)	(37,802)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,209,873</u>	<u>1,247,675</u>
End of year	<u>\$ 573,248</u>	<u>\$ 1,209,873</u>
Reconciliation of cash, cash equivalents, and restricted cash to the combined statements of financial position		
Cash and cash equivalents	\$ 292,325	\$ 918,726
Restricted cash	236,238	246,462
Security deposits	<u>44,685</u>	<u>44,685</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 573,248</u>	<u>\$ 1,209,873</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 73,516</u>	<u>\$ 72,719</u>
Property and equipment transferred to assets held for sale	<u>\$ 214,465</u>	<u>\$ -</u>
Right of use assets acquired in exchange for operating lease liability	<u>\$ 509,113</u>	<u>\$ -</u>
Change in estimate on right of use asset and lease liability	<u>\$ 57,931</u>	<u>\$ -</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, 2024 and 2023

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 not-for-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 combined 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, 2024 and 2023

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, 2024 and 2023, 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, including contingent 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 combined financial statements relate to operating right of use assets and lease liability (see Note 15).

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 combined 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.

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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.

Government Grants and Contracts Receivable

Government grants and contracts receivable represent collectible current balances due from government funding 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, existing economic conditions in the industry and under similar arrangements, the financial stability of customers and other collection indicators and/or anticipated collection amounts. The allowance for doubtful accounts on grants and contracts receivable amounted to \$-0- as of June 30, 2024 and 2023. Grants and contracts receivable are expected to be collected within the next year.

Accounts Receivable

Accounts receivable represents receivables billed to New Jersey under the Medicaid program and other programs. These receivables are unsecured, non-interest-bearing obligations due based on billings performed. 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, existing economic conditions in the industry and under similar arrangements, expected future economic conditions, the financial stability of customers and other collection indicators and/or anticipated collection amounts. No allowance for doubtful accounts was deemed necessary at June 30, 2024 and 2023.

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 (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.

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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.

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 over 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 over 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.

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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.

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 and funds received for events in advance of the event occurring. Receivables represent amounts billed for the services provided.

The following represents contract assets, receivables and contract liabilities at June 30, 2024 and 2023:

	<u>Accounts Receivable</u>		<u>Deferred Revenue</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Beginning of year	\$ 149,837	\$ 155,058	\$ 60,344	\$ 132,539
End of year	\$ 217,922	\$ 149,837	\$ 245,167	\$ 60,344

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.

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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 2024 and 2023.

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 rate implicit in the lease or, in unavailable, 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.

Contributed Nonfinancial Assets

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 12).

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 payroll and payroll taxes and fringe 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.

Accounting Pronouncements Adopted in the Current Year

Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure and other financial instruments recorded at amortized cost. The Organization adopted the new standard effective July 1, 2023, using the modified retrospective approach. The implementation of this ASU had no material impact on the combined financial statements.

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3. LIQUIDITY AND AVAILABILITY

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses and payment of payables and other liabilities, were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 292,325	\$ 918,726
Restricted cash	236,238	246,462
Certificates of deposit	-	862
Investments	5,224,307	5,271,531
Government grants and contracts receivable	565,884	480,659
Accounts receivable	<u>217,922</u>	<u>149,837</u>
	<u>6,536,676</u>	<u>7,068,077</u>
Less those unavailable for general expenditures within one year, due to		
Net assets with donor restrictions	(405,410)	(588,770)
Restricted cash	<u>(236,238)</u>	<u>(246,462)</u>
	<u>(641,648)</u>	<u>(835,232)</u>
Total financial assets available	5,895,028	6,232,845
Liquidity resources		
Undrawn line of credit	<u>853,000</u>	<u>253,000</u>
Total financial assets and liquidity resources	<u>\$ 6,748,028</u>	<u>\$ 6,485,845</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.

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, 2024, the Organization had \$192,000 outstanding and \$853,000 available from the line. The Foundation had reserves of approximately \$5,100,000 as of June 30, 2024. These funds are held as general reserve and can be spent with the explicit approval of the Foundation Board.

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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, 2024 and 2023, 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, 2024 and 2023:

2024				
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 2,659,916	\$ 2,659,916	\$ -	\$ -
Fixed income	2,219,976	-	2,219,976	-
Fixed income mutual funds	<u>344,415</u>	<u>344,415</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,224,307</u>	<u>\$ 3,004,331</u>	<u>\$ 2,219,976</u>	<u>\$ -</u>
2023				
	Total	Level 1	Level 2	Level 3
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>

Community Hope, Inc. and Affiliates
Notes to Combined Financial Statements
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6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023 consisted of the following:

Description	Estimated Life (Years)	2024	2023
Land	N/A	\$ 2,097,231	\$ 2,237,231
Buildings and improvements	7-35	10,000,625	10,372,289
Vehicles	5	633,173	758,213
Furniture and fixtures	5-7	1,337,585	1,338,821
Software	3	168,797	168,797
		14,237,411	14,875,351
Less: Accumulated depreciation		7,873,252	7,974,203
Property and equipment, net		<u>\$ 6,364,159</u>	<u>\$ 6,901,148</u>

Depreciation expense amounted to \$294,439 and \$320,433 at June 30, 2024 and 2023, respectively.

7. PROPERTY HELD FOR SALE

During fiscal year 2024, the Organization placed a property under sale. The Organization sold the property in fiscal year 2025. The Organization evaluated the property for impairment noting the property was not impaired at June 30, 2024.

8. 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, 2024 and 2023 are as follows:

	2024	2023
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>

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9. MORTGAGES PAYABLE

Mortgages payable at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</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.	\$ 113,580	\$ 119,416
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.	58,728	60,942
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.	55,079	57,096
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.	33,000	33,991
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>56,735</u>	<u>59,423</u>
	731,463	745,209
Less: Current portion	<u>14,477</u>	<u>13,745</u>
Mortgages payable, net of current portion	<u><u>\$ 716,986</u></u>	<u><u>\$ 731,464</u></u>

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Future maturities of mortgages payable are as follows for the years ending June 30,

2025	\$ 14,477
2026	15,223
2027	15,995
2028	16,791
2029	17,821
2030 and thereafter	<u>651,156</u>
	<u>\$ 731,463</u>

10. 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, 2024 and 2023 was 9.00% and 8.75%, 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, 2024 and 2023 was \$192,000 and \$792,000, respectively. The Organization must maintain a minimum debt service coverage ratio of 1.25 to 1. As of June 30, 2023, the Organization was not in compliance with one of their covenants and obtained a waiver of the covenant requirement. The Organization was in compliance with their covenants at June 30, 2024.

11. 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, 2024, the Organization is working with the State of New Jersey to renew notes #3, #4, #5 and #7. 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.

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The balances outstanding at June 30, 2024 and 2023 are as follows:

	June 30, 2024							
	#1	#2	#3	#4	#5	#6	#7	Total Obligation
Date of Note	02/24/04	02/24/04	02/24/04	10/01/98	02/24/04	11/30/06	05/02/03	
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	\$ 4,695	\$ 50,019	\$ 879,606
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, 2023							
	#1	#2	#3	#4	#5	#6	#7	Total Obligation
Date of Note	02/24/04	02/24/04	02/24/04	10/01/98	02/24/04	11/30/06	05/02/03	
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	\$ 882,323
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	

12. CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the combined statements of activities and changes in net assets included the following:

	2024	2023
Food	\$ 23,611	\$ 21,474
Clothing	131,254	174,591
Household goods	12,484	21,917
Professional services	579	97,957
Land	-	140,000
	<u>\$ 167,928</u>	<u>\$ 455,939</u>

The Organization recognized contributed nonfinancial assets within revenue, including household goods, food, clothing, professional services including inspection and repair, legal and website 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 services recognized comprise professional services from attorneys advising the Organization on various administrative and programmatic legal matters and other professional services. Contributed services are valued and are reported at their estimated fair value based on current rates for similar legal and other professional services. Contributed land was valued by a qualified appraiser based on comparable properties.

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13. 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 \$42,582 and \$46,223 for the years ended June 30, 2024 and 2023, respectively.

14. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023 consist of funds restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
VA program	\$ 242,135	\$ 209,892
Affordable Housing Program	46,700	103,080
Supportive services for veteran families program	5,827	5,000
Women's veterans	98,906	123,244
Land restricted to use	-	140,000
Other programs	11,842	7,554
	<u>\$ 405,410</u>	<u>\$ 588,770</u>

Net assets were released from donor restrictions during the years ended June 30, 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
VA program	\$ 153,253	\$ 102,849
Affordable Housing Program	56,380	8,900
Supportive services for veteran families program	5,000	16,159
Women's veterans	24,337	-
Land restricted to use	140,000	-
Other programs	6,656	47,335
	<u>\$ 385,626</u>	<u>\$ 175,243</u>

15. 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, 2024, the Organization leased 50 vehicles due to expire between fiscal years 2025 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 pay utility cost as stated in the agreement. The building lease also provided for a tenant improvement allowance to fund improvements to the property. If the tenant improvement allowance was not utilized, the funds would go to reduce future rent payments.

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The final tenant improvement allowance reduced future rent payments by approximately \$328,000 which was reflected in the calculation of the right of use asset and operating lease liability.

Lease expense consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Operating lease expense	\$ 546,666	\$ 373,298
Short term lease expense	222,341	132,497
	<u>\$ 769,007</u>	<u>\$ 505,795</u>

Other information related to leases consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liability	\$ 511,612	\$ 340,579
Weighted-average remaining lease term (years)	3.23	4.16
Weighted-average discount rate	3.53%	2.84%

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of the year ending June 30, 2024:

2025	\$ 523,348
2026	435,439
2027	255,543
2028	217,152
2029	26,006
Thereafter	-
	<u>1,457,488</u>
Less: Imputed interest	(86,393)
Operating lease liability	<u>\$ 1,371,095</u>

16. 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, 2024 and 2023, 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 at June 30, 2024 and 2023 in the combined 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 at June 30, 2024 was approximately \$656,000.

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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.

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.

17. 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 \$748,000 and \$323,000 at June 30, 2024 and 2023, respectively. The Organization also has a line of credit with the financial institution (Note 10).

18. 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, 2024 and 2023, the Organization received 48% and 63%, respectively, from 3 funding sources, respectively.

The Organization received a bequest which was approximately 25% of total revenue for the year ended June 30, 2023. There were no similar concentrations in 2024.

The Organization had no concentrations of government grant and contract receivable at June 30, 2024 and 2023. Accounts receivable was due from 1 payer at June 30, 2024 and 2023.

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19. SUBSEQUENT EVENTS

The Organization has evaluated events occurring through November 13, 2024, the date which the combined financial statements were available to be issued, for possible adjustment to or disclosure in the combined financial statements. Based on this evaluation, the Organization has determined that no subsequent events have occurred that would require recognition or disclosure in the combined financial statements, except as disclosed in Note 7.