

HOPEWORKS 'N CAMDEN, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2019 AND 2018

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

HOPEWORKS 'N CAMDEN, INC.

JUNE 30, 2019 AND 2018

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Independent Auditor's Report

To: The Board of Trustees
Hopeworks 'N Camden, Inc.
Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the ***Hopeworks 'N Camden*** (a New Jersey non-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Hopeworks 'N Camden** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reyni, Bernabè, Surz + Co.

Cherry Hill, NJ
February 17, 2020

HOPEWORKS 'N CAMDEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

| <u>ASSETS</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Current assets | | |
| Cash | \$ 282,849 | \$ 203,711 |
| Grants receivable, net of long-term portion | 292,113 | 261,092 |
| Contributions receivable | 168,750 | 89,200 |
| Accounts receivable, net | 84,700 | 79,826 |
| Prepaid expenses | <u>18,207</u> | <u>13,878</u> |
| Total current assets | <u>846,619</u> | <u>647,707</u> |
| Investments, at market | <u>3,378,376</u> | <u>3,396,670</u> |
| Property and equipment, net | <u>588,399</u> | <u>562,233</u> |
| Other assets | | |
| Invested scholarship fund, at market | 105,832 | 105,381 |
| Grants receivable, long-term | 12,000 | 24,000 |
| Security deposit | <u>10,037</u> | <u>10,037</u> |
| Total other assets | <u>127,869</u> | <u>139,418</u> |
| Total assets | <u>\$ 4,941,263</u> | <u>\$ 4,746,028</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current liabilities | | |
| Accounts payable | \$ 70,129 | \$ 76,818 |
| Accrued expenses | <u>87,150</u> | <u>56,170</u> |
| Total current liabilities | 157,279 | 132,988 |
| Mortgage loan payable | <u>488,187</u> | <u>488,187</u> |
| Total liabilities | <u>645,466</u> | <u>621,175</u> |
| Net assets | | |
| Without donor restrictions | 3,619,910 | 3,983,722 |
| With donor restrictions | <u>675,887</u> | <u>141,131</u> |
| Total net assets | <u>4,295,797</u> | <u>4,124,853</u> |
| Total liabilities and net assets | <u>\$ 4,941,263</u> | <u>\$ 4,746,028</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| <u>REVENUE, GAINS AND SUPPORT</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Grants | \$ 953,211 | \$ 67,165 | \$ 1,020,376 |
| Contributions | 575,121 | 479,140 | 1,054,261 |
| Special events | 152,895 | - | 152,895 |
| Program service revenue | 476,089 | - | 476,089 |
| Investment income | 90,324 | - | 90,324 |
| Gain on sale of investments | 2,961 | - | 2,961 |
| Unrealized gain on investments | 111,642 | 5,451 | 117,093 |
| Miscellaneous income | 6,627 | - | 6,627 |
| | <u>2,368,870</u> | <u>551,756</u> | <u>2,920,626</u> |
| Net assets released from restrictions | <u>17,000</u> | <u>(17,000)</u> | <u>-</u> |
| Total revenue, gains and support | <u>2,385,870</u> | <u>534,756</u> | <u>2,920,626</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>2,192,648</u> | <u>-</u> | <u>2,192,648</u> |
| Supporting services | | | |
| General and administrative | 222,098 | - | 222,098 |
| Fundraising | 334,936 | - | 334,936 |
| Total supporting services | <u>557,034</u> | <u>-</u> | <u>557,034</u> |
| Total expenses | <u>2,749,682</u> | <u>-</u> | <u>2,749,682</u> |
| Changes in net assets | (363,812) | 534,756 | 170,944 |
| Net assets, beginning of fiscal year | <u>3,983,722</u> | <u>141,131</u> | <u>4,124,853</u> |
| Net assets, end of fiscal year | <u>\$ 3,619,910</u> | <u>\$ 675,887</u> | <u>\$ 4,295,797</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| <u>REVENUE, GAINS AND SUPPORT</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Grants | \$ 812,938 | \$ - | \$ 812,938 |
| Contributions | 889,161 | - | 889,161 |
| Special events | 145,516 | - | 145,516 |
| Program service revenue | 447,333 | - | 447,333 |
| In-kind donations | 1,098 | - | 1,098 |
| Investment income | 87,252 | - | 87,252 |
| Gain on sale of investments | 16,996 | - | 16,996 |
| Unrealized gain on investments | 54,365 | 5,447 | 59,812 |
| Miscellaneous income | 14,823 | - | 14,823 |
| | <u>2,469,482</u> | <u>5,447</u> | <u>2,474,929</u> |
| Net assets released from restrictions | <u>115,420</u> | <u>(115,420)</u> | <u>-</u> |
| Total revenue, gains and support | <u>2,584,902</u> | <u>(109,973)</u> | <u>2,474,929</u> |
| <u>EXPENSES</u> | | | |
| Program services | <u>1,608,801</u> | <u>-</u> | <u>1,608,801</u> |
| Supporting services | | | |
| General and administrative | 334,330 | - | 334,330 |
| Fundraising | 228,083 | - | 228,083 |
| Total supporting services | <u>562,413</u> | <u>-</u> | <u>562,413</u> |
| Total expenses | <u>2,171,214</u> | <u>-</u> | <u>2,171,214</u> |
| Changes in net assets | 413,688 | (109,973) | 303,715 |
| Net assets, beginning of fiscal year | <u>3,570,034</u> | <u>251,104</u> | <u>3,821,138</u> |
| Net assets, end of fiscal year | <u>\$ 3,983,722</u> | <u>\$ 141,131</u> | <u>\$ 4,124,853</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

| | Program Services | Supporting Services | | Total |
|--|---------------------|----------------------------------|-------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Salaries, payroll taxes and employee benefits | \$ 1,684,312 | \$ 106,015 | \$ 222,589 | \$ 2,012,916 |
| Special events | 901 | - | 58,069 | 58,970 |
| Occupancy | 137,352 | 10,673 | 12,646 | 160,671 |
| Insurance | 11,122 | 3,394 | 1,111 | 15,627 |
| Equipment expense | 13,490 | 127 | 254 | 13,871 |
| Scholarships | 91,747 | - | - | 91,747 |
| Training | 90,744 | 9,279 | 12,218 | 112,241 |
| Other project costs | 42,262 | 579 | 827 | 43,668 |
| Depreciation | 29,725 | 1,564 | 3,129 | 34,418 |
| Office expenses | 21,283 | 5,590 | 13,434 | 40,307 |
| Software and computer supplies | 18,842 | 828 | 1,266 | 20,936 |
| Travel and entertainment | 3,179 | 292 | 199 | 3,670 |
| Professional services | 16,992 | 62,527 | 275 | 79,794 |
| Marketing and promotion | 28,984 | 5,549 | 8,906 | 43,439 |
| Bad debt expense | 1,564 | 10,000 | - | 11,564 |
| Other expenses | 149 | 5,681 | 13 | 5,843 |
| | <u>\$ 2,192,648</u> | <u>\$ 222,098</u> | <u>\$ 334,936</u> | <u>\$ 2,749,682</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Services | Supporting Services | | Total |
|--|---------------------|----------------------------------|-------------------|---------------------|
| | | General and Administrative | Fundraising | |
| Salaries, payroll taxes and employee benefits | \$ 1,162,904 | \$ 226,265 | \$ 149,262 | \$ 1,538,431 |
| Special events | 1,310 | - | 57,266 | 58,576 |
| Occupancy | 43,370 | 9,364 | 877 | 53,611 |
| Insurance | 11,366 | 2,007 | 670 | 14,043 |
| Equipment expense | 1,451 | 3,567 | 82 | 5,100 |
| Scholarships | 71,141 | - | - | 71,141 |
| Training | 66,134 | 5,126 | 278 | 71,538 |
| Other project costs | 50,145 | 444 | 440 | 51,029 |
| Depreciation | 17,814 | 1,978 | 691 | 20,483 |
| Office expenses | 12,233 | 8,524 | 6,619 | 27,376 |
| Software and computer supplies | 32,315 | 4,102 | 3,858 | 40,275 |
| Travel and entertainment | 8,607 | 1,205 | 1,397 | 11,209 |
| Professional services | 51,177 | 58,629 | 67 | 109,873 |
| Marketing and promotion | 62,852 | 284 | 6,576 | 69,712 |
| Bad debt expense | 15,908 | 10,000 | - | 25,908 |
| Other expenses | 74 | 2,835 | - | 2,909 |
| | <u>\$ 1,608,801</u> | <u>\$ 334,330</u> | <u>\$ 228,083</u> | <u>\$ 2,171,214</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Changes in net assets | \$ 170,944 | \$ 303,715 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Allowance for bad debts | - | (20,000) |
| Depreciation | 34,418 | 20,483 |
| Unrealized losses/(gains) on investments, net | (117,093) | (59,812) |
| (Increase) decrease in assets: | | |
| Grants receivable | (19,021) | (21,680) |
| Contributions receivable | (79,550) | (55,357) |
| Accounts receivable | (4,874) | 4,740 |
| Prepaid expenses | (4,329) | (4,875) |
| Security deposit | - | (10,037) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (6,689) | 56,704 |
| Accrued expenses | 30,980 | (2,147) |
| Net cash provided by operating activities | <u>4,786</u> | <u>211,734</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Invested scholarship fund, net | (451) | (1,447) |
| (Purchase)/sale of temporary investments, net | 135,387 | (79,664) |
| Purchase of property and equipment | <u>(60,584)</u> | <u>(46,750)</u> |
| Net cash provided by (used in) investing activities | <u>74,352</u> | <u>(127,861)</u> |
| Net increase in cash | 79,138 | 83,873 |
| Cash, beginning of fiscal year | <u>203,711</u> | <u>119,838</u> |
| Cash, end of fiscal year | <u>\$ 282,849</u> | <u>\$ 203,711</u> |
| <u>SUPPLEMENTAL INFORMATION</u> | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

1. NATURE OF OPERATIONS

Hopeworks 'N Camden, Inc. (*"Hopeworks"*) is a New Jersey, non-profit corporation established in April 1999. It is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Hopeworks is dedicated to fostering the cause of economic revitalization in the City of Camden, New Jersey, through the training and development of the at-risk youth of the city. The programs include website design and development, ongoing site maintenance, and job placement to internships in local companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require Hopeworks to report information regarding its financial position and activities according to the following net asset classifications:

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 Hopeworks. These net assets may be used at the discretion of Hopeworks' 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 Hopeworks or by the passage of time.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Accounts Receivable

Accounts receivables for website design and development are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivable are stated at the amount billed to the customer. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all the accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Interest income on overdue accounts is not recognized until amounts are collected. The allowance for doubtful accounts as of June 30, 2019 and 2018 was \$10,000, respectively.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, as determined by quoted market prices, with gains and losses included in the statement of activities and changes in net assets. Donated securities are recorded at the market value on the date of contribution.

Concentration of Credit Risk

Hopeworks principal financial instruments subject to credit risk are its cash and investments. At times, Hopeworks maintains balances in excess of the insured limits.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

Because of the inherent uncertainty of valuation, estimated fair values of the alternative investments may differ significantly from the values that would have been used had a readily determinable market for the investments existed, and the difference could be material. Due to the long-term holding period and lack of marketability of private equity investments, the alternative investments should not be considered liquid investments that are readily convertible into cash.

Historically, Hopeworks has not incurred any significant credit related loss and believes it is not exposed to any significant risk on its concentrations.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. When retired or otherwise disposed of, the carrying value of the assets and related depreciation are removed from the respective accounts, and the net difference, less any amount realized from disposition, is charged or credited to income.

Major additions and betterments in excess of \$1,000 are charged to the property and equipment accounts, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to ten years.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to Hopeworks' programs. These contributed services are not reflected in the financial statements since the services do not require specialized skills, as defined by ASC 605.

Compensated Absences

Compensated absences for sick pay and personal time have not been accrued because they cannot be reasonably estimated. Hopeworks' policy is to recognize these costs when actually paid.

Tax Status

Hopeworks is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for taxes has been included in the financial statements.

Management has reviewed tax positions taken in filings with federal and state jurisdictions and believes those positions would be sustained should the filings be examined by the relevant taxing authority. These tax filings are subject to examination, generally for three years after they are filed.

Should settlement of an examination or other event result in a change in management's evaluation of a tax position taken or expected to be taken in filings that have not been closed by statute or examination, any interest and penalties related to the unrecognized tax benefit as a result of the uncertain tax position would be included in interest expense and administrative expenses, respectively.

Allocation of Functional Expenses

The cost of providing the programs and supporting services have been presented on a functional basis in the statements of activities. For salaries, taxes, and benefits, allocations are decided on an individual basis, based on the functions of each position. These allocations may be updated on a periodic basis based on the evolving responsibilities of a position, and by nature some positions will be split across multiple functions while others will be more compartmentalized. Rent and utilities are allocated based on square footage. All other expenses are allocated on the basis of time and effort percentages unless directly incurred by one function receiving the benefit.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958); *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

3. LIQUIDITY AND AVAILABILITY

| | 2019 | 2018 |
|---|---------------|---------------|
| Total financial assets available within one year: | | |
| Cash | \$ 282,849 | \$ 203,711 |
| Grants receivable, net of long-term portion | 292,113 | 261,092 |
| Contributions receivable | 168,750 | 89,200 |
| Accounts receivable, net | 84,700 | 79,826 |
| Investments, at market | 3,378,376 | 3,396,670 |
| Total financial assets | 4,206,788 | 4,030,499 |
| Less amounts unavailable for general expenditures within one year due to donor-imposed restrictions: | | |
| Net assets with donor restrictions | (675,887) | (141,131) |
| Add amounts available within one year: | | |
| Time restricted net assets at year-end to be received within one year for unrestricted purposes | 76,750 | 12,000 |
| Financial assets available to meet cash needs | | |
| For general expenditures within one year | \$ 3,607,651 | \$ 3,901,368 |

Hopeworks' goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$1,375,000). Hopeworks manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. As part of its liquidity plan, excess cash is invested in liquid investments (See Note 5, *Investments*). During the years ended June 30, 2019 and 2018, Hopeworks has been able to meet cash needs for general expenditures within each respective year. In addition to these available financial assets, a significant portion of Hopeworks' annual expenditures will be funded by current year operating revenues including program service revenue, grants, and contributions.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

4. GRANTS RECEIVABLE

Grants receivable are as follows at June 30:

| | 2019 | 2018 |
|----------------------------------|------------|------------|
| Receivable in less than one year | \$ 292,113 | \$ 261,092 |
| Receivable in one to five years | 12,000 | 24,000 |
| Total grants receivable | 304,113 | 285,092 |
| Less: discounts to present value | - | - |
| Net grants receivable | \$ 304,113 | \$ 285,092 |

A present value adjustment was considered immaterial and, therefore, not recorded for the long-term portion of the grants receivable.

5. INVESTMENTS

The valuation techniques required by FASB ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's market assumptions. These two types of inputs create the three levels of fair value hierarchy described below:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 - significant unobservable inputs (including Hopeworks' own assumptions in determining the fair value of investments).

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to fair value measurement.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2019 AND 2018

5. INVESTMENTS (CONT'D)

The summary of inputs used to value Hopeworks' investments at June 30, 2019 and 2018 is as follows:

| | 2019 | | | |
|--------------------|----------------------------|--------------------------------------|--|--|
| | <u>Total</u> | <u>Level 1 Quoted Prices</u> | <u>Level 2 Other Significant Observable Inputs</u> | <u>Level 3 Significant Unobservable Inputs</u> |
| Non-operating cash | \$ 48,289 | \$ 48,289 | \$ - | \$ - |
| Bonds | 1,501,509 | 1,501,509 | - | - |
| Stocks | 1,871,229 | 1,871,229 | - | - |
| Mutual funds | <u>63,181</u> | <u>63,181</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,484,208</u> | <u>\$ 3,484,208</u> | <u>\$ -</u> | <u>\$ -</u> |

| | 2018 | | | |
|--------------------|----------------------------|--------------------------------------|--|--|
| | <u>Total</u> | <u>Level 1 Quoted Prices</u> | <u>Level 2 Other Significant Observable Inputs</u> | <u>Level 3 Significant Unobservable Inputs</u> |
| Non-operating cash | \$ 171,051 | \$ 171,051 | \$ - | \$ - |
| Bonds | 1,377,469 | 1,377,469 | - | - |
| Stocks | 1,053,522 | 1,053,522 | - | - |
| Mutual funds | <u>900,009</u> | <u>900,009</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,502,051</u> | <u>\$ 3,502,051</u> | <u>\$ -</u> | <u>\$ -</u> |

HOPEWORKS 'N CAMDEN, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2019 AND 2018

6. PROPERTY AND EQUIPMENT

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

| | 2019 | 2018 |
|--------------------------------|------------|------------|
| Computer equipment | \$ 201,558 | \$ 177,656 |
| Software | 59,521 | 51,121 |
| Other equipment | 43,349 | 43,349 |
| Furniture | 65,226 | 36,944 |
| Building and improvements | 620,203 | 620,203 |
| | 989,857 | 929,273 |
| Less: accumulated depreciation | (401,458) | (367,040) |
| Property and equipment, net | \$ 588,399 | \$ 562,233 |

Depreciation expense for the years ended June 30, 2019 and 2018 was \$34,418 and \$20,483, respectively.

7. INVESTED SCHOLARSHIP FUND

An investment fund has been established to provide scholarships to selected youth enrolled in the Hopeworks programs. Any proceeds earned are retained in the account and restricted for scholarship awards (See Note 9, *Net Assets With Donor Restrictions*). The funds are carried at market value and are Level 1 investments (See Note 5, *Investments*).

8. MORTGAGE LOAN PAYABLE

The New Jersey Housing and Mortgage Finance Agency has advanced interest-free funds for the construction of a residential facility for Hopeworks youth. Construction advances were \$488,187 as of June 30, 2019 and 2018. If Hopeworks maintains the facility for its intended use, the mortgage loan will be forgiven in 2042.

HOPEWORKS 'N CAMDEN, INC.
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2019 AND 2018

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent amounts being held by Hopeworks, which are subject to donor restrictions. These amounts are generally available for a particular purpose, as dictated by the donor's instruments. Net assets are released from donor restrictions by accomplishing the stipulated use restrictions.

Net assets are designated to be used as follows as of June 30:

| | 2019 | 2018 |
|-------------------|----------------|----------------|
| Program expenses | \$ 391,360 | \$ - |
| Time restrictions | 88,750 | 35,750 |
| Scholarships | 195,777 | 105,381 |
| Total | \$ 675,887 | \$ 141,131 |

10. COMMITMENTS

Hopeworks leased office space on a month-to-month basis in the amount of \$1,600 per month with an increase in June 2017 to \$1,750 per month. Rent expense totaled \$3,500 and \$22,840 for the years ended June 30, 2019 and 2018, respectively. This lease was terminated on June 30, 2018.

In February 2018, Hopeworks entered into a seven-year lease for office space effective July 1, 2018. Rent expense totaled \$127,925 and \$0 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under this operating lease are:

| Year ended June 30, | Amount |
|---------------------|------------|
| 2020 | \$ 122,892 |
| 2021 | 125,334 |
| 2022 | 127,842 |
| 2023 | 130,350 |
| 2024 | 132,990 |
| Thereafter | 135,630 |
| | \$ 775,038 |

11. RELATED PARTY TRANSACTIONS

A former Hopeworks board member is the CEO of a company that provides marketing services. The amount paid during the years ended June 30, 2019 and 2018 totaled \$25,327 and \$25,225, respectively.

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12. SUBSEQUENT EVENTS

In preparing these financial statements, management of Hopeworks has evaluated events and transactions for potential recognition or disclosure through February 17, 2020, the date the financial statements were available to be issued. Hopeworks had no significant or material subsequent events through February 17, 2020.