

Hopeworks N' Camden, Inc.
Financial Statements
For the Years Ended
June 30, 2024 and 2023

Hopeworks ‘N Camden, Inc.
For the Years Ended
June 30, 2024 and 2023

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Independent Auditors' Report

Board of Directors
Hopeworks 'N Camden, Inc.
808 Market Street 1st Floor
Camden, NJ 08102

Opinion

We have audited the accompanying financial statements of Hopeworks 'N Camden, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2024, and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hopeworks 'N Camden, Inc. as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hopeworks 'N Camden, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hopeworks 'N Camden, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted 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 financial statements. In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Hopeworks 'N Camden, Inc'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hopeworks 'N Camden, Inc'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.

Baratz & Associates, P.A.

Baratz & Associates, P.A.
Marlton, NJ

February 4, 2025

Hopeworks 'N Camden, Inc.
Statements of Financial Position
June 30,

Assets	2024	2023
Current Assets		
Cash	\$ 105,262	\$ 587,483
Investments, at fair value	3,794,695	3,505,516
Grants receivable, net of long-term portion	485,000	968,419
Contributions receivable, net of long-term portion	143,000	93,023
Accounts receivable, net	185,438	156,707
Prepaid expenses	62,216	155,071
Total Current Assets	4,775,611	5,466,219
Property and Equipment, net	770,527	670,559
Other Assets		
Invested scholarship fund at fair value	133,038	122,686
Grants receivable, long-term	1,279,427	250,000
Contributions receivable, long-term	506,021	75,000
Right of use asset - operating lease	6,113,147	1,171,547
Right of use asset - finance lease	8,704	11,186
Security deposit	10,037	10,037
Total Other Assets	8,050,374	1,640,456
Total Assets	\$ 13,596,512	\$ 7,777,234
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 191,736	\$ 59,915
Accrued expenses	153,756	171,303
Line of credit	346,771	-
Operating lease obligation, net of long-term portion	364,500	116,425
Finance lease obligation, net of long-term portion	2,511	2,481
Total Current Liabilities	1,059,274	350,124
Noncurrent Liabilities		
Operating lease obligation, long-term	5,814,065	1,102,670
Finance lease obligation, long-term	6,193	8,705
Mortgage loan payable	499,086	488,187
Total Noncurrent Liabilities	6,319,344	1,599,562
Total Liabilities	7,378,618	1,949,686
Net Assets		
Without donor restrictions	2,166,584	4,593,234
With donor restrictions	4,051,310	1,234,314
Total Net Assets	6,217,894	5,827,548
Total Liabilities and Net Assets	\$ 13,596,512	\$ 7,777,234

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

Hopeworks 'N Camden, Inc.
Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 2,025,755	\$ 2,640,000	\$ 4,665,755
Contributions	1,019,268	1,330,000	2,349,268
Special events	72,233	-	72,233
Program service revenue	947,432	-	947,432
Externship income	122,762	-	122,762
Investment income	71,277	4,133	75,410
Realized gains on investments	58,976	3,215	62,191
Unrealized gains on investments	159,486	2,979	162,465
In-kind donations	47,847	-	47,847
	<u>4,525,036</u>	<u>3,980,327</u>	<u>8,505,363</u>
Net Assets Released From Restrictions Satisfaction of Program Restrictions	<u>1,163,331</u>	<u>(1,163,331)</u>	<u>-</u>
Total Revenues and Support	<u>5,688,367</u>	<u>2,816,996</u>	<u>8,505,363</u>
Functional Expenses			
Program Services	6,832,928	-	6,832,928
Supporting Services			
Management and General	561,569	-	561,569
Fundraising	720,520	-	720,520
Total Supporting Services	<u>1,282,089</u>	<u>-</u>	<u>1,282,089</u>
Total Functional Expenses	<u>8,115,017</u>	<u>-</u>	<u>8,115,017</u>
Changes in Net Assets	(2,426,650)	2,816,996	390,346
Net Assets, Beginning of Fiscal Year	<u>4,593,234</u>	<u>1,234,314</u>	<u>5,827,548</u>
Net Assets, End of Fiscal Year	<u>\$ 2,166,584</u>	<u>\$ 4,051,310</u>	<u>\$ 6,217,894</u>

Hopeworks 'N Camden, Inc.
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants	\$ 3,196,431	\$ 708,300	\$ 3,904,731
Contributions	1,461,631	451,000	1,912,631
Special events	73,800	-	73,800
Program service revenue	677,788	-	677,788
Investment income	61,029	3,998	65,027
Realized losses on investments	(28,638)	(2,799)	(31,437)
Unrealized gains on investments	265,460	7,061	272,521
In-kind donations	37,400	-	37,400
	<u>5,744,901</u>	<u>1,167,560</u>	<u>6,912,461</u>
Net Assets Released From Restrictions			
Satisfaction of Program Restrictions	<u>1,457,532</u>	<u>(1,457,532)</u>	<u>-</u>
Total Revenues and Support	<u>7,202,433</u>	<u>(289,972)</u>	<u>6,912,461</u>
Functional Expenses			
Program Services	<u>5,157,924</u>	<u>-</u>	<u>5,157,924</u>
Supporting Services			
Management and General	389,723	-	389,723
Fundraising	444,709	-	444,709
Total Supporting Services	<u>834,432</u>	<u>-</u>	<u>834,432</u>
Total Functional Expenses	<u>5,992,356</u>	<u>-</u>	<u>5,992,356</u>
Changes in Net Assets	1,210,077	(289,972)	920,105
Net Assets, Beginning of Fiscal Year	<u>3,383,157</u>	<u>1,524,286</u>	<u>4,907,443</u>
Net Assets, End of Fiscal Year	<u>\$ 4,593,234</u>	<u>\$ 1,234,314</u>	<u>\$ 5,827,548</u>

Hopeworks 'N Camden, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	General and Administrative	Development Fundraising	Total
Salaries and wages	\$ 4,995,057	\$ 273,610	\$ 567,294	\$ 5,835,961
Payroll taxes	394,983	23,711	33,938	452,632
Benefits	395,909	56,604	13,675	466,188
Special events	-	-	19,990	19,990
Occupancy	383,445	38,075	6,786	428,306
Insurance	19,130	6,577	492	26,199
Equipment expense	31,484	2,268	26,422	60,174
Scholarships	97,721	9,000	-	106,721
Training	69,440	14,135	4,809	88,384
Other project costs	117,707	3,038	1,660	122,405
Depreciation	69,813	7,532	1,506	78,851
Office expenses	46,897	6,103	16,252	69,252
Software and computer supplies	63,171	3,812	2,757	69,740
Travel and entertainment	48,271	4,390	1,901	54,562
Professional services	3,457	76,303	123	79,883
Marketing and promotion	87,315	11,422	12,215	110,952
Interest expense	-	24,989	-	24,989
Credit losses	9,128	-	10,700	19,828
Total Functional Expenses	\$ 6,832,928	\$ 561,569	\$ 720,520	\$ 8,115,017

Hopeworks 'N Camden, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	General and Adminstrative	Development Fundraising	Total
Salaries and wages	\$ 3,622,709	\$ 150,679	\$ 360,026	\$ 4,133,414
Payroll taxes	353,749	22,703	32,480	408,932
Benefits	327,136	52,343	10,394	389,873
Special events	3,305	1,241	5,702	10,248
Occupancy	254,888	17,512	3,502	275,902
Insurance	16,319	5,619	442	22,380
Equipment expense	112,840	439	1,294	114,573
Scholarships	46,009	19,250	-	65,259
Training	48,168	9,152	5,591	62,911
Other project costs	121,765	4,909	1,993	128,667
Depreciation	54,637	6,465	1,293	62,395
Office expenses	32,148	6,110	11,846	50,104
Software and computer supplies	53,688	4,895	5,566	64,149
Travel and entertainment	16,721	2,577	1,709	21,007
Professional services	3,562	62,710	268	66,540
Marketing and promotion	90,280	13,340	2,603	106,223
Interest expense	-	1,420	-	1,420
Other expenses	-	8,359	-	8,359
Total Functional Expenses	\$ 5,157,924	\$ 389,723	\$ 444,709	\$ 5,992,356

Hopeworks 'N Camden, Inc.
Statements of Cash Flows
June 30,

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ 390,346	\$ 920,105
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:		
Credit losses	(8,100)	(11,900)
Depreciation	78,851	62,395
Amortization of right of use asset	17,870	47,548
Unrealized (gains) on investments	(162,465)	(272,521)
(Increase) Decrease in assets:		
Grants receivable	(546,008)	(392,082)
Contributions receivable	25,023	264,477
Accounts receivable	(526,652)	(77,860)
Prepaid expense	92,855	(139,264)
(Decrease) Increase in Operating Liabilities:		
Accounts payable	131,821	9,057
Accrued expenses	(17,547)	65,951
Net Cash (Used In) Provided By Operating Activities	(524,006)	475,906
Cash Flows from Investing Activities:		
Net purchase of invested scholarship fund	(10,352)	(8,392)
Net (purchase) sale of investments	(126,714)	126,503
Purchase of property and equipment	(178,819)	(141,852)
Net Cash (Used In) Investing Activities	(315,885)	(23,741)
Cash Flows from Financing Activities:		
Proceeds from mortgage payable	10,899	-
Line of credit	346,771	-
Net Cash Provided By Financing Activities	357,670	-
Net (Decrease) Increase in Cash and Cash Equivalents	(482,221)	452,165
Cash, Beginning of Fiscal Year	587,483	135,318
Cash, End of Fiscal Year	\$ 105,262	\$ 587,483

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

1. Organization and Nature of Operations

Hopeworks ‘N Camden, Inc. (“*Hopeworks*” or *Organization*) 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 and Philadelphia, Pennsylvania in the Kensington area, 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

Typically, a nonprofit Organization is required to report information on its financial position and activities according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions. The Organization does not have any restricted net assets as it does not receive donor-restricted contributions.

Net Assets without Donor Restriction — All net assets that are free of donor-imposed stipulations are included in net assets without donor restrictions. They may be designated for specific purposes or locations by action of the Board of Directors.

Net Assets with Donor Restriction — Gifts that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time are included in net assets with donor restrictions. Donor-imposed restrictions can be temporary or perpetual, although the Organization has no gifts that are perpetually restricted.

Cash

Hopeworks considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Concentration of Credit Risk

Hopeworks maintains deposit accounts with reputable financial institutions. Financial instruments that potentially subject the Organization to concentrations of credit risk include cash deposits with commercial banks and brokerage firms. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining primary cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). At times, however, such deposits may exceed FDIC insurance limits.

Investment securities are exposed to various risks, such as interest rates, market fluctuations, 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, alternative investments should not be considered liquid investments that are readily convertible into cash.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, continued

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

Grants and Contributions Receivable

Grants and contributions receivable represents amounts awarded by various organizations. Grant receivables are due within one year unless specified otherwise in the award letter and are recognized at realizable value. Management estimates credit losses for grants receivable based upon current economic conditions, historical trends, and current past experiences with individual grantors or contributors. Management determined that there were no credit losses for the years ending June 30, 2024 and 2023, respectively.

Accounts Receivable

Accounts receivable for website design and development are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Accounts receivables 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 credit losses for the years ending June 30, 2024 and 2023 was \$0 and \$8,100, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Investments

Hopeworks investments in equity securities with readily ascertainable fair values and all investments in debt securities are measured at fair market value in the statement of financial position with gains and losses included in the statement of activities. Investments consisted of various money markets (cash equivalents), fixed income, and equity mutual funds and various stocks.

Fair Value Measurements

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. Assets and liabilities measured at fair value are categorized into one of three different levels depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability, including the Organization’s own assumptions in determining the fair value of the assets or liabilities.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, continued

Property and Equipment

All property and equipment is stated at historical cost at the date of purchase or fair value as of the date of contribution. Depreciation for furniture, fixtures, and equipment is computed using the straight-line method over the estimated useful lives. Expenditures for maintenance and repairs are charged against income as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Estimated useful lives in determining depreciation are as follows:

	<u>Years</u>
Buildings and Improvements	39
Furniture and Fixtures	5-7
Equipment	5-10

Impairment of Long-Lived Assets

Hopeworks reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization assesses recoverability by comparing the estimates undiscounted cash flows associated with the related assets or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

Leases

For any new or modified lease, the Organization, at the inception of the contract, determines whether a contract is or contains a lease. The Organization records right-of-use ("ROU") assets and lease obligations for its finance and operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. If the rate in the Organization's leases is not easily determinable, the Organization's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments. The lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less, and those leases that ended prior to December 31, 2022. For a majority of all classes of underlying assets, the Organization has elected to not separate lease from non-lease components. The operating ROU asset and lease obligations will be amortized on a straight-line basis to the earlier of its useful life or lease term. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, utilities, and repairs and maintenance.

Line of Credit

Hopeworks has an \$750,000 line of credit agreement with an institutional lender which expires July 2025. At June 30, 2024 and 2023, there was \$346,771 and \$0, respectively, borrowed against this line. The line of credit has an interest rate of 7.5%. Hopeworks has guaranteed the line of credit and pledged specific assets as collateral.

Hopeworks 'N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, continued

Grants and Contributions

Grants and contributions are generally recorded as revenue at the time of receipt. Unconditional promises to give property or donate services are recorded at their fair value when the gifts are made and/or the services are performed. Conditional promises to give are recognized when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions support. Grants and Contributions received and unconditional promises are measured at their fair values and reported as an increase in net assets.

Contributions of donated non-cash assets are recorded at their fair market value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Donated services by volunteers neither enhance nor create non-financial assets nor do they require specialized skills, and thus are not recognized as support in the Organization's Statement of Activities.

Revenue Recognition

The Organization recognizes revenue based on the five-step model; (i) identify the contract with the member; (ii) identify the performance obligation in the contract (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If the Company determines that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Donated Assets and Services

Donated goods and services, primarily consisting of tickets to events, auction items for its annual fund-raising event and professional services, are recorded as contributions at their fair values at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset for specific purpose. Assets donated with explicit restrictions regarding their use are reported as contributions with donor restrictions. 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 into service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives donated services from other contributors and volunteers that are not measurable, and therefore, are excluded from the financial statements.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated amongst the programs and supporting services rendered. Costs are allocated to the functional category by using the direct method. Certain costs that are not directly related to specific functions are allocated on a percentage basis

Income Taxes

The Organization is exempt from federal income taxes pursuant to section 501(c)(3) of the internal revenue code and exempt from state income taxes under the statutes of The State of New Jersey.

FASB requires financial statement recognition of the impact of a tax position, if that position is more than likely than not to be sustained on examination, based on the technical merits of the position. The benefit is calculated as the larger amount that is more than 50% likely to be realized upon resolution of the benefit. The Organization has evaluated its tax positions and believes that all could be sustained upon examination. With few exceptions The Organization is no longer subject to income tax examinations by federal authorities before 2021.

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 cost when they are actually paid.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to receivables arising from revenue transactions such as contract assets and accounts receivables. The standard has been applied prospectively with no adjustment to net assets needed.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

3. Revenues from Contracts with Customers

For the years ended June 30, 2024 and 2023 revenue is recognized in two major revenue streams, program service revenue (contracted services), and externship income. The timing of revenue recognition for this product segment are:

	2024	2023
Services transferred over a point in time		
Contracted Services	\$ 947,432	\$ 677,788
Externship Income	122,762	-
	\$ 1,070,194	\$ 677,788

The following economic factors affect the nature, amount, timing, and uncertainty of the Organization’s revenue and cash flows as indicated:

Type of customers:

The Organization engages in business activity with surrounding organizations.

Geographical location of customers:

The Organization’s customers are primarily located in areas surrounding Philadelphia, Camden, and the tri-state areas.

Types of contracts:

The Organization provides services such as geographical information services, web design development, and revenue cycle management. All of these services fall under the contract revenue (program service revenue).

The Organization generates income by assigning their young adults who are involved in the program, to internships with different companies. Hopeworks uses the revenue to pay the wages for the young adults so they can participate in the program.

The opening and closing balances of trade receivables, contract assets, and contract liabilities from contracts with customers are as follows:

	Trade Receivables	Contract Assets	Contract Liabilities
Balance 7/1/2022	\$ 76,977	\$ -	\$ -
Balance 6/30/2023	99,264	-	-
Balance 6/30/2024	100,681	-	-

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

3. Revenues from Contracts with Customers and Members, continued

Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised services to a customer. Transaction prices do not include amounts collected on behalf of third parties.

To determine the transaction price of a contract, the Organization considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be canceled, renewed, or modified. Most of the Organization’s contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

The Organization does not adjust the transaction prices of contracts for collectability. At the end of each fiscal year, the Organization updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect any changes in transaction prices.

Performance Obligations

The Organization typically satisfies its performance obligations as services are rendered.

The Organization’s services are typically performed at a point over a period of time.

Customers obtain the benefits of such services as services are performed. Therefore, the Organization satisfies its performance obligations as services are rendered. In some cases, the time required to render a service is trivially short; in those cases, the Organization satisfies its performance obligation upon completion of the service.

Payment for services sold by the Organization is typically due ahead of the date of the engagement. The Organization does not offer discounts of any kind.

None of the Organization’s contracts have a significant financing component.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
Years Ended June 30, 2024 and 2023

3. Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The following table reflects the Organization’s financial assets (cash, investments, and receivables) as of June 30, 2024 and 2023, reduced by amounts not available for general expenditures within one year.

	2024	2023
Financial assets at year-end	\$ 4,713,395	\$ 5,311,148
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	(4,051,310)	(1,234,314)
Financial assets available to meet cash needs for general expenditure within one year	\$ 662,085	\$ 4,076,834

The Organization 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. During the years ended June 30, 2024 and 2023, the Organization was able to meet cash needs for general expenditures.

In addition to these available financial assets, a significant portion of the Organization’s annual expenditures will be funded by current-year operating revenues.

4. Grants Receivable

Grants receivable are as follows at June 30:

	2024	2023
Receivable in less than one year	\$ 485,000	\$ 968,419
Receivable in one to five years	1,279,427	250,000
Total grants receivable	\$ 1,764,427	\$ 1,218,419

5. Contributions Receivable

Contributions receivable are as follows at June 30:

	2024	2023
Receivable in less than one year	\$ 143,000	\$ 93,023
Receivable in one to five years	506,021	75,000
Total grants receivable	\$ 649,021	\$ 168,023

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6. Property and Equipment

Property and equipment are as follows at June 30:

	2024	2023
Building and Improvement	\$ 725,874	\$ 631,138
Furniture and Fixtures	303,605	256,495
Equipment	136,512	138,165
	1,165,991	1,025,788
Less: accumulated depreciation	(395,464)	(355,229)
Property and equipment, net	\$ 770,527	\$ 670,559

Depreciation was \$78,851 and \$62,395 at June 30, 2024 and 2023, 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 scholarships awards. The funds are carried at fair value and are Level 1 investments (see note 8, *Investments*).

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8. Investments

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date.
Level 2	<p>Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:</p> <ul style="list-style-type: none"> a. Quoted prices for similar assets or liabilities in active markets b. Quoted prices for identical or similar assets or liabilities in inactive markets c. Inputs other than quoted prices that are observable for the asset or liability d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs that are unobservable inputs for the asset or liability.

The Organization’s investments are reported at fair value in the accompanying statement of net assets available for benefits. Investments, at fair value, consist of the following at June 30, 2024 and 2023:

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level I</u>	<u>Significant Other Observable Inputs Level II</u>	<u>Unobservable Inputs Level III</u>
Money Market	\$ 198,640	\$ -	\$ -	\$ 198,640
Equities	2,737,278	2,737,278	-	-
Fixed Income	951,662	951,662	-	-
Mutual Funds	40,153	40,153	-	-
Total	\$ <u>3,927,733</u>	\$ <u>3,729,093</u>	\$ <u>-</u>	\$ <u>198,640</u>

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Notes to Financial Statements
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8. Investments, continued

The following schedule summarizes the investment return for the year ended June 30, 2024:

Interest	\$	29,028
Dividends		72,128
Realized Gain		62,191
Unrealized Gain		162,465
Fees		<u>(25,747)</u>
Net investment income	\$	<u>300,065</u>

<u>Description</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level I</u>	<u>Significant Other Observable Inputs Level II</u>	<u>Unobservable Inputs Level III</u>
Money Market	\$ 79,626	\$ -	\$ -	\$ 79,626
Equities	2,640,283	2,640,283	-	-
Fixed Income	860,346	860,346	-	-
Mutual Funds	<u>47,947</u>	<u>47,947</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,628,202</u>	<u>\$ 3,548,576</u>	<u>\$ -</u>	<u>\$ 79,626</u>

The following schedule summarizes the investment return for the year ended June 30, 2023:

Interest	\$	25,138
Dividends		63,186
Realized (Loss)		(31,437)
Unrealized Gain		272,521
Fees		<u>(23,297)</u>
Net investment income	\$	<u>306,111</u>

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9. 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. Constructions advances were \$499,086 and \$488,187 as of June 30, 2024 and 2023. If Hopeworks maintains the facility for its intended use, the mortgage loan will be forgiven in 2042.

10. Operating Lease Commitment

808 Market Street Lease Commitment

In December 2022, Hopeworks negotiated leases to occupy a new, larger space in October 2023 for the 808 Market Street property located in Camden, NJ. The lease renegotiation required a rent prepayment of \$100,000 which was applied to the first years rent payments. The lease expires in 2033 and includes an option for the tenant to renew the lease for two additional five-year periods, which would then lead the lease to expire in 2043. There are incremental rent increases every year at 2.5%.

The lease will be capitalized in accordance with the leasing standard (ASU 2016-02) as a right-of-use asset and lease liability on the statement of financial position.

	Operating
2025	\$ 237,081
2026	254,524
2027	267,541
2028	272,838
2029	278,329
Thereafter	4,633,532
Total future undiscounted lease payments	5,943,845
Less present value factor (1.96 % used)	(1,059,480)
Total lease liability	\$ 4,884,365

3400 J Street Lease Commitment

In December 2022, Hopeworks negotiated a lease to occupy a separate location in Philadelphia, Pennsylvania. The first four months of the lease were free per terms of the agreement, which made the rent commencement date April 2023. The lease is a 10-year lease with incremental rent increases every year at 2.5%. The lease expires in the year 2033.

The lease will be capitalized in accordance with the leasing standard (ASU 2016-02) as a right-of-use asset and lease liability on the statement of financial position.

Hopeworks ‘N Camden, Inc.
Notes to Financial Statements
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10. Operating Lease Commitment, continued

	Operating
2025	\$ 127,419
2026	130,604
2027	133,869
2028	137,216
2029	140,646
Thereafter	730,693
Total future undiscounted lease payments	1,400,447
Less present value factor (1.55 % used)	(106,247)
Total lease liability	\$ 1,294,200

11. Finance Lease Commitment

In December 2022, Hopeworks entered into a finance lease agreement for office equipment that expires in October 2028. Under the terms of the lease agreement, Hopeworks is responsible for annual payments of \$217 per month.

In accordance with the leasing standard (ASU 2016-02) it has been capitalized as a right-of-use asset and lease liability on the statement of financial position.

The net present value of the lease based on the risk-free rate of return has been recognized as a lease liability. The right-of-use asset has been recognized as the net present value of the lease less interest.

Future minimum lease payments for the year ending June 30 are as follows:

	Operating
2025	\$ 2,601
2026	2,601
2027	2,601
2028	1,084
Total future undiscounted lease payments	8,887
Less present value factor (1.19 % used)	(183)
Total lease liability	\$ 8,704

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12. 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 restricted by donors for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Purpose and Time Restricted Net Assets	\$ 4,051,310	\$ 1,234,314
Total Restricted Net Assets	<u>\$ 4,051,310</u>	<u>\$ 1,234,314</u>

13. Subsequent Events

In preparing these financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through February 4, 2025, the date the financial statements were available to be issued.

The Organization had no significant or material subsequent events through February 4, 2025.