

HOPEWORKS 'N CAMDEN, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JUNE 30, 2023 AND 2022

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

HOPEWORKS 'N CAMDEN, INC.

JUNE 30, 2023 AND 2022

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of **Hopeworks 'N Camden** (a New Jersey non-profit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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** 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 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, 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's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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'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'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.

Bandy + Associates

Cherry Hill, NJ
December 8, 2023

HOPEWORKS 'N CAMDEN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 587,483	\$ 135,318
Grants receivable, net of long-term portion	968,419	426,337
Contributions receivable, net of long-term portion	93,023	332,500
Accounts receivable, net	156,707	66,947
Prepaid expenses	155,071	15,807
Total current assets	1,960,703	976,909
Investments, at fair value	3,505,385	3,359,368
Property and equipment, net	670,559	591,101
Other assets		
Invested scholarship fund, at fair value	122,817	114,425
Grants receivable, long-term	250,000	400,000
Contributions receivable, long-term	75,000	100,000
Right of use asset - operating lease	1,171,547	-
Right of use asset - finance lease	11,186	-
Security deposit	10,037	10,037
Total other assets	1,640,587	624,462
Total assets	<u>\$ 7,777,234</u>	<u>\$ 5,551,840</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 59,915	\$ 50,858
Accrued expenses	171,303	105,352
Operating lease obligation, net of long term portion	116,425	-
Finance lease obligation, net of long term portion	2,481	-
Total current liabilities	350,124	156,210
Noncurrent liabilities		
Operating lease obligation, long term	1,102,670	-
Finance lease obligation, long term	8,705	-
Mortgage loan payable	488,187	488,187
Total noncurrent liabilities	1,599,562	488,187
Total liabilities	1,949,686	644,397
Net assets		
Without donor restrictions	4,593,234	3,383,157
With donor restrictions	1,234,314	1,524,286
Total net assets	5,827,548	4,907,443
Total liabilities and net assets	<u>\$ 7,777,234</u>	<u>\$ 5,551,840</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, 2023

<u>REVENUE, GAINS AND SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
In-kind donations	37,400	-	37,400
	5,447,050	1,159,300	6,606,350
Net assets released from restrictions	1,457,532	(1,457,532)	-
Total revenue, gains and support	6,904,582	(298,232)	6,606,350
<u>EXPENSES</u>			
Program services	5,112,337	-	5,112,337
Supporting services			
General and administrative	411,679	-	411,679
Fundraising	491,637	-	491,637
Total supporting services	903,316	-	903,316
Total expenses	6,015,653	-	6,015,653
Changes in net assets before nonoperating activities	888,929	(298,232)	590,697
<u>NONOPERATING ACTIVITIES</u>			
Investment income	84,326	3,998	88,324
Loss on sale of investments	(28,638)	(2,799)	(31,437)
Unrealized gain on investments	265,460	7,061	272,521
Total nonoperating activities	321,148	8,260	329,408
Changes in net assets	1,210,077	(289,972)	920,105
Net assets, beginning of fiscal year	3,383,157	1,524,286	4,907,443
Net assets, end of fiscal year	\$ 4,593,234	\$ 1,234,314	\$ 5,827,548

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

HOPEWORKS 'N CAMDEN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>REVENUE, GAINS AND SUPPORT</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Grants	\$ 1,434,219	\$ 1,110,000	\$ 2,544,219
Contributions	1,161,473	209,024	1,370,497
Special events	41,500	-	41,500
Program service revenue	541,111	-	541,111
	3,178,303	1,319,024	4,497,327
Net assets released from restrictions	869,862	(869,862)	-
Total revenue, gains and support	4,048,165	449,162	4,497,327
<u>EXPENSES</u>			
Program services	4,481,699	-	4,481,699
Supporting services			
General and administrative	334,121	-	334,121
Fundraising	273,748	-	273,748
Total supporting services	607,869	-	607,869
Total expenses	5,089,568	-	5,089,568
Changes in net assets before nonoperating activities	(1,041,403)	449,162	(592,241)
<u>NONOPERATING ACTIVITIES</u>			
Investment income	93,178	4,633	97,811
Gain on sale of investments	132,703	1,023	133,726
Unrealized loss on investments	(658,228)	(19,676)	(677,904)
Total nonoperating activities	(432,347)	(14,020)	(446,367)
Changes in net assets	(1,473,750)	435,142	(1,038,608)
Net assets, beginning of fiscal year	4,856,907	1,089,144	5,946,051
Net assets, end of fiscal year	\$ 3,383,157	\$ 1,524,286	\$ 4,907,443

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, 2023

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 4,256,760	\$ 225,725	\$ 449,734	\$ 4,932,219
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	4,809	84,666	362	89,837
Marketing and promotion	90,280	13,340	2,603	106,223
Interest expense	-	1,420	-	1,420
Other expenses	-	8,359	-	8,359
	<u>\$ 5,112,337</u>	<u>\$ 411,679</u>	<u>\$ 491,637</u>	<u>\$ 6,015,653</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, 2022

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries, payroll taxes and employee benefits	\$ 3,825,526	\$ 164,635	\$ 228,227	\$ 4,218,388
Special events	450	-	-	450
Occupancy	159,820	8,169	11,490	179,479
Insurance	14,879	520	1,271	16,670
Equipment expense	74,724	2,796	5,592	83,112
Scholarships	46,243	19,001	-	65,244
Training	20,300	10,377	1,767	32,444
Other project costs	88,765	691	1,165	90,621
Depreciation	39,886	2,099	4,198	46,183
Office expenses	23,318	3,482	5,081	31,881
Software and computer supplies	49,573	1,256	645	51,474
Travel and entertainment	9,854	989	958	11,801
Professional services	27,310	84,755	2,875	114,940
Marketing and promotion	101,051	5,213	10,479	116,743
Bad debt expense	-	25,453	-	25,453
Other expenses	-	4,685	-	4,685
	<u>\$ 4,481,699</u>	<u>\$ 334,121</u>	<u>\$ 273,748</u>	<u>\$ 5,089,568</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, 2023 AND 2022

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>2023</u>	<u>2022</u>
Changes in net assets	\$ 920,105	\$ (1,038,608)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Allowance for bad debts	(11,900)	10,000
Depreciation	62,395	46,183
Amortization of right of use asset	47,548	-
Unrealized losses/(gains) on investments, net	(272,521)	677,904
(Increase) in assets:		
Grants receivable	(392,082)	(492,087)
Contributions receivable	264,477	(371,250)
Accounts receivable	(77,860)	137,395
Prepaid expenses	(139,264)	12,118
Increase in liabilities:		
Accounts payable	9,057	17,693
Accrued expenses	65,951	24,321
Net cash provided by (used in) operating activities	<u>475,906</u>	<u>(976,331)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Invested scholarship fund, net	(8,392)	14,562
Sale of temporary investments, net	126,503	666,975
Purchase of property and equipment	<u>(141,852)</u>	<u>(41,225)</u>
Net cash (used in) provided by investing activities	<u>(23,741)</u>	<u>640,312</u>
Net increase (decrease) in cash	452,165	(336,019)
Cash, beginning of fiscal year	<u>135,318</u>	<u>471,337</u>
Cash, end of fiscal year	<u><u>\$ 587,483</u></u>	<u><u>\$ 135,318</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, 2023 AND 2022

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.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Hopeworks' ongoing program services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

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

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 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 was \$8,100 and \$20,000 as of June 30, 2023 and 2022, respectively.

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 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.

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

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

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

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.

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.

Revenue Recognition

Hopeworks has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Earned revenues from website design and development are recognized using a five-step process that requires all conditions to be met before revenue can be recognized. Revenue from website design and development is recognized when the services are performed. Management believes the standard improves the Organization's financial reporting.

Unconditional grants and contributions are recorded as revenue in their entirety in the year they are awarded. Due to the nature of these grants and contributions, significant increases and decreases in net assets may occur. These significant fluctuations can arise as grants and contributions are recognized as support in the fiscal period in which they are awarded, but the expenses incurred with such grants and contributions occur in a subsequent period.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

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

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.

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.

In Kind Donations

Hopeworks recognizes and records contributions of donated non-cash assets at their fair value in the period received. The value of in-kind donations recognized was \$37,400 for the year ended June 30, 2023. Hopeworks did not recognize in-kind donations for the year ending June 30, 2022.

3. LIQUIDITY AND AVAILABILITY

Hopeworks' goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$3,383,800). 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 6, *Investments*). During the years ended June 30, 2023 and 2022, 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, 2023 AND 2022

3. LIQUIDITY AND AVAILABILITY (CONT'D)

	<u>2023</u>	<u>2022</u>
Total financial assets available within one year:		
Cash	\$ 587,483	\$ 135,318
Grants receivable, net of long-term portion	968,419	426,337
Contributions receivable, net of long-term portion	93,023	332,500
Accounts receivable, net	156,707	66,947
Investments, at fair value	3,505,385	3,359,368
Invested scholarship fund, at fair value	<u>122,817</u>	<u>114,425</u>
Total financial assets	5,433,834	4,434,895
Less amounts unavailable for general expenditures within one year due to donor-imposed restrictions:		
Net assets with donor restrictions	(1,234,314)	(1,524,286)
Add amounts available within one year:		
Time restricted net assets at year-end to be received within one year for unrestricted purposes	<u>212,500</u>	<u>165,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,412,020</u>	<u>\$ 3,075,609</u>

4. GRANTS RECEIVABLE

Grants receivable are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 968,419	\$ 426,337
Receivable in one to five years	<u>250,000</u>	<u>400,000</u>
Total grants receivable	1,218,419	826,337
Less: discounts to present value	<u>-</u>	<u>-</u>
Net grants receivable	<u>\$ 1,218,419</u>	<u>\$ 826,337</u>

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

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 93,023	\$ 332,500
Receivable in one to five years	<u>75,000</u>	<u>100,000</u>
Total contributions receivable	168,023	432,500
Less: discounts to present value	<u>-</u>	<u>-</u>
Net contributions receivable	<u>\$ 168,023</u>	<u>\$ 432,500</u>

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

6. 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 the 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, 2023 AND 2022

6. INVESTMENTS (CONT'D)

The summary of inputs used to value Hopeworks' investments at June 30, 2023 and 2022 is as follows:

2023				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Non-operating cash	\$ 79,626	\$ 79,626	\$ -	\$ -
Bonds	860,346	860,346	-	-
Stocks	2,640,283	2,640,283	-	-
Mutual funds	<u>47,947</u>	<u>47,947</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,628,202</u>	<u>\$ 3,628,202</u>	<u>\$ -</u>	<u>\$ -</u>

2022				
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Non-operating cash	\$ 18,813	\$ 18,813	\$ -	\$ -
Bonds	1,006,612	1,006,612	-	-
Stocks	2,403,125	2,403,125	-	-
Mutual funds	<u>45,243</u>	<u>45,243</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,473,793</u>	<u>\$ 3,473,793</u>	<u>\$ -</u>	<u>\$ -</u>

7. PROPERTY AND EQUIPMENT

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

	2023	2022
Computer equipment	\$ 69,713	\$ 58,233
Other equipment	68,452	48,327
Furniture	256,495	146,246
Building and improvements	<u>631,128</u>	<u>631,128</u>
	1,025,788	883,934
Less: accumulated depreciation	<u>(355,229)</u>	<u>(292,833)</u>
Property and equipment, net	<u>\$ 670,559</u>	<u>\$ 591,101</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$62,395 and \$46,183, respectively.

HOPEWORKS 'N CAMDEN, INC.
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2023 AND 2022

8. 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 11, *Net Assets With Donor Restrictions*). The funds are carried at fair value and are Level 1 investments (See Note 6, *Investments*).

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. Construction advances were \$488,187 as of June 30, 2023 and 2022. If Hopeworks maintains the facility for its intended use, the mortgage loan will be forgiven in 2042.

10. 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:

	<u>2023</u>	<u>2022</u>
Program expenses	\$ 788,044	\$ 1,201,045
Time restrictions	287,000	165,000
Scholarships	<u>159,270</u>	<u>158,241</u>
Total	<u>\$ 1,234,314</u>	<u>\$ 1,524,286</u>

11. OPERATING LEASE COMMITMENT

Hopeworks leases three separate office spaces in the same office building under agreements expiring in 2025 and 2030. In December 2022, Hopeworks renegotiated these leases to occupy a new, larger space in August 2023. At that time, the existing leases will terminate. The new lease requires a rent prepayment of \$100,000 which will be 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.

This new lease will be capitalized in accordance with the new leasing standard (ASU 2016-02) as a right-of-use asset and lease liability on the statement of financial position in fiscal year 2024.

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11. OPERATING LEASE COMMITMENT (CONT'D)

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

2024	\$ 193,360
2025	250,067
2026	263,568
2027	268,865
2028	274,162
Thereafter	<u>1,455,438</u>

Total minimum lease payments	<u>\$ 1,314,709</u>
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12. 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 new 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:

2024	\$ 2,601
2025	2,601
2026	2,601
2027	2,601
2028	<u>1,084</u>

Total minimum lease payments	11,488
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Less: amount representing interest	<u>(302)</u>
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Present value of minimum lease payments	<u>\$ 11,186</u>
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NOTES TO FINANCIAL STATEMENTS
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13. SUBSEQUENT EVENTS

In preparing these financial statements, management of Hopeworks has evaluated events and transactions for potential recognition or disclosure through December 8, 2023, the date the financial statements were available to be issued. Hopeworks had no other significant or material subsequent events through December 8, 2023.