



HERALDS OF HOPE

**Heralds of Hope, Inc.
Breezewood, Pennsylvania**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended December 31, 2023**

Heralds of Hope, Inc.

Breezewood, PA

December 31, 2023

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Independent Auditor's Report

To the Board of Directors
Heralds of Hope, Inc.
Breezewood, PA

Opinion

We have audited the financial statements of Heralds of Hope, Inc., which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heralds of Hope, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heralds of Hope, 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 Heralds of Hope, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Heralds of Hope, 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 Heralds of Hope, 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.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

July 22, 2024

Financial Statements

Heralds of Hope, Inc.

Statement of Financial Position

December 31, 2023

Assets:

Cash and cash equivalents	\$	969,968
Inventory		201,604
Prepaid expenses and other assets		15,387
Investments		1,213,640
Property and equipment, net of accumulated depreciation of \$455,204		<u>246,900</u>
Total assets	\$	<u><u>2,647,499</u></u>

Liabilities:

Accounts payable	\$	51,065
Accrued liabilities		19,820
Gift annuity contracts		<u>62,918</u>
Total liabilities		<u>133,803</u>

Net assets:

Without donor restrictions		2,046,485
With donor restrictions		<u>467,211</u>
Total net assets		<u>2,513,696</u>
Total liabilities and net assets	\$	<u><u>2,647,499</u></u>

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

Heralds of Hope, Inc.

Statement of Activities

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions	\$ 765,700	\$ 1,384,193	\$ 2,149,893
Literature sales	678	-	678
Rental income	12,500	-	12,500
Miscellaneous income	1,767	-	1,767
Investment income/(loss)	56,344	-	56,344
Gain/(loss) on disposal of fixed assets	(1,461)	-	(1,461)
Change in value of annuities	(8,661)	-	(8,661)
	<u>826,867</u>	<u>1,384,193</u>	<u>2,211,060</u>
Total Revenue and support			
Reclassifications:			
Satisfaction of program restrictions	<u>1,275,238</u>	<u>(1,275,238)</u>	<u>-</u>
Expenses:			
Program	1,473,470	-	1,473,470
Administration	269,361	-	269,361
Fund raising	<u>207,803</u>	<u>-</u>	<u>207,803</u>
	<u>1,950,634</u>	<u>-</u>	<u>1,950,634</u>
Total expenses			
Change in net assets	151,471	108,955	260,426
Net assets, beginning of year	<u>1,895,014</u>	<u>358,256</u>	<u>2,253,270</u>
Net assets, end of year	<u>\$ 2,046,485</u>	<u>\$ 467,211</u>	<u>\$ 2,513,696</u>

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

Heralds of Hope, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2023

	<u>Program</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Radio time purchases	\$ 594,077	\$ 52	\$ 7,718	\$ 601,847
Grants and assistance	359,216	-	-	359,216
Salaries and wages	171,191	111,885	92,620	375,696
Bibles and literature	232,608	24	-	232,632
Loss	-	67,864	-	67,864
Postage and freight	17,893	1,909	7,857	27,659
Advertising and promotion	9,021	-	24,990	34,011
Depreciation	13,690	13,690	-	27,380
Other employment benefits	17,917	10,176	8,922	37,015
Auto and travel	20,252	5,559	9,991	35,802
Payroll taxes	14,590	9,318	7,507	31,415
Supplies	2,537	1,002	35,571	39,110
Repairs and maintenance	36	1,041	-	1,077
Information technology	5,265	9,252	6,531	21,048
Professional fees	-	10,478	3,852	14,330
Occupancy	2,802	9,271	1,306	13,379
Bank and credit card fees	5,577	5,770	-	11,347
Utilities	1,732	2,777	807	5,316
Conferences and training	5,190	4,861	2	10,053
Food	291	1,220	402	1,913
Office expense	-	1,333	-	1,333
Insurance	(415)	1,872	(273)	1,184
Miscellaneous	-	7	-	7
Total expenses	<u>\$ 1,473,470</u>	<u>\$ 269,361</u>	<u>\$ 207,803</u>	<u>\$ 1,950,634</u>

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

Heralds of Hope, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2023

Cash flows from operating activities:	
Change in net assets	\$ 260,426
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	27,380
(Gain)/loss on investments	(473)
(Gain)/loss on sale of capital assets	1,461
(Gain)/loss on change in value of annuities	8,661
(Increase)/decrease in inventory	(87,808)
(Increase)/decrease in prepaid expenses	(4,966)
Increase/(decrease) in accounts payable	11,032
Increase/(decrease) in accrued liabilities	4,673
	<hr/>
Net cash provided (used) by operating activities	220,386
	<hr/>
Cash flows from investing activities:	
Purchases of capital assets	(10,235)
Proceeds from sale of investments	6,569
Purchase of investments	(146,097)
	<hr/>
Net cash provided (used) by investing activities	(149,763)
	<hr/>
Cash flows from financing activities:	
Payments of gift annuity contract	(9,374)
	<hr/>
Net cash provided (used) by financing activities	(9,374)
	<hr/>
Net increase (decrease) in cash	61,249
	<hr/>
Cash and cash equivalents, beginning of year	908,719
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Cash and cash equivalents, end of year	\$ 969,968
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The notes to financial statements are an integral part of these statements.

Notes to Financial Statements

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1 – Description of Organization and Summary of Significant Accounting Policies:

Organization

Heralds of Hope, Inc. (HoH) is incorporated as a non-profit organization under the laws of Pennsylvania. Its administrative office is located in Breezewood, PA. HoH was founded to proclaim hope in Jesus for salvation. This is done by distribution of Christian literature and Bibles and through presentation of radio broadcasts.

Basis of Accounting and Presentation

HoH uses the accrual basis of accounting, which recognizes income when earned regardless of when received and expenses when incurred regardless of when paid. Financial statement presentation follows generally accepted accounting principles within the United States of America (GAAP) and follows the recommendations of the Financial Accounting Standards Board for exempt organizations. HoH is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Income Taxes

HoH is tax-exempt under 501(c)(3) of the Internal Revenue Code. During the year, HoH had no material sources of unrelated business income. Therefore, no provision is made for federal and state corporate income taxes.

HoH has adopted accounting principles related to accounting for uncertainty in income taxes. HoH's policy is to record a liability for any tax position taken that is beneficial to HoH, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking accounts. HoH considers short-term investments with original maturities of three months or less to be cash equivalents.

Inventory

Inventory consists of ministry-related books and literature held for future distribution and data processing supplies. These are stated at the lower of cost or net realizable value.

Prepaid Expenses

Prepaid expenses are composed of real estate taxes, insurance and maintenance.

Investments

Investments in equity securities with readily determinable fair values, precious metals and all debt securities are measured at fair value in the statement of financial position. Other investments are held as cost method investments.

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued):

The majority of invested amounts are held in unsecured debt instruments with another conservative Anabaptist organization. These debt instruments are non-transferable and can only be redeemed by HoH. HoH carries its investment in these debt instruments at cost. There are no purchase discounts or premiums at the time of purchase. The investment yields a rate of interest as determined under the provisions of the state level securities registration statement. The interest rate at the current year-end is 5.25% for long-term holdings and 3.25% for short-term holdings. HoH had \$1,405,131 invested in these debt instruments at the end of 2023, with \$258,114 under cash and cash equivalents and \$1,147,017 listed under investments on the statement of financial position.

Property and Equipment

Property and equipment are carried at cost for items purchased and at fair value for donated items. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income. Depreciation is based on the following policies:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Buildings	27-40 years	Straight line
Land and Building Improvements	15-40 years	Straight line
Equipment and Furniture	5-7 years	Straight line
Vehicles	5 years	Straight line

HoH capitalizes assets when the individual unit cost or land/building improvements equal at least \$5,000.

Net Assets

Financial statement presentation follows the requirements of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. The accounting standard requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- A) Net assets without donor restrictions are those available at the discretion of the board for use in HoH's programs and other functions, and those resources invested in land, buildings and equipment.
- B) Net assets with donor restrictions are those restricted by donors for specific operating purposes or for use in a future reporting period. Also included in this category are net assets subject to donor-imposed restrictions to be held in perpetuity such as endowments or irrevocable trusts.

Revenue and Support with or without Donor Restrictions

Contributions received are recorded with or without donor restrictions depending on the expressed intentions of the donors. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a 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 satisfaction of program restrictions.

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1 - Description of Organization and Summary of Significant Accounting Policies (Continued):

Functional Allocation of Expenses

Expenses are summarized on a functional basis in the statement of functional expenses. Accordingly, expenses have been allocated between program, administration, and fund raising based upon their functional purpose. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage or time and effort. Administration expenses are supporting activities that are not directly identifiable with program activities. Fund raising expenses promote the solicitation of support from current and potential donors for its program and administrative activities. Joint costs have been identified and allocated based on the definition from ASC 958-720-20 which states a joint cost is "an activity that is part of the fundraising function and has elements of one or more other functions, such as program, management and general, membership development, or any other functional category used by the entity." \$554,604 of joint costs were allocated during the year, with \$253,020 allocated to program services, \$142,399 allocated to administration and \$159,185 allocated to fund raising.

Subsequent Events Evaluation

Management has evaluated subsequent events through July 22, 2024, which is the date the financial statements were available to be issued.

Note 2 – Concentrations of Credit Risk:

For the year ended December 31, 2023, HoH had cash deposits of \$133,878 and \$258,114 of cash equivalents that were not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 3 – Financial Assets and Liquidity Resources:

HoH's operations are primarily funded by contributions from donors and a portion of these contributions contain restrictions. Those restrictions require that resources be used for specific program activities or in a future period. Therefore, HoH must maintain resources to meet those responsibilities to its donors and certain assets may not be available for general expenditure within one year. As part of its liquidity management, HoH has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. HoH does not currently try to maintain an established minimum balance in its operating bank accounts, but does closely monitor cash in its operating accounts in relation to its general expenditure obligations. Should funding run low, HoH would reduce spending as much as feasible. The governing board would consider borrowing funds to meet obligations.

The following schedule reflects HoH's financial assets as of its year ended in 2023, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board of directors approved their use.

Cash and cash equivalents	\$ 969,968
Investments	<u>1,213,640</u>
Total financial assets	2,183,608
Less those unavailable for general expenditures within one year due to:	
Restricted by donors with time or purpose restrictions	<u>(467,211)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,716,397</u></u>

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 4 - Property and Equipment:

Property and equipment consisted of the following:

<u>Description</u>	<u>2023</u>
Land	\$ 24,000
Buildings	337,829
Land and building improvements	280,923
Furniture and equipment	51,225
Vehicles	<u>8,127</u>
Total	702,104
Less accumulated depreciation	<u>(455,204)</u>
Property and equipment, net	<u>\$ 246,900</u>

Note 5 – Fair Value Measurements of Assets and Liabilities:

Accounting principles clarify that fair value is an exit price, representing the price that would be received to sell or paid to transfer an asset or liability in an orderly transaction between market participants at the measurement date. HoH uses market data or assumptions that market participants would use in pricing the asset or liability. Fair value measurements establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Financial and non-financial assets and liabilities with unadjusted, quoted prices listed on active market exchanges.

Level 2: Financial and non-financial assets and liabilities valued using inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Financial and non-financial assets and liabilities that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The following table sets forth by level within the fair value hierarchy HoH's assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2023. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. HoH's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

<u>Description</u>	<u>Amount at 12/31/23</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Debt securities	\$ 1,147,017	\$ 1,147,017	\$ -	\$ -
Precious metals	38,342	38,342	-	-
Mutual funds	9,729	9,729	-	-
Fixed income funds	8,915	8,915	-	-
Equity investment	3,761	-	3,761	-
Other funds	5,876	5,876	-	-
Total	<u>\$ 1,213,640</u>	<u>\$ 1,209,879</u>	<u>\$ 3,761</u>	<u>\$ -</u>

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 5 - Fair Value Measurements of Assets and Liabilities: (Continued):

Investment income/(loss) consists of:

	<u>2023</u>
Interest and dividends	\$ 55,871
Net realized losses	(512)
Net unrealized gains	<u>985</u>
Total	<u>\$ 56,344</u>

Note 6 – Gift Annuities:

HoH has established a charitable gift annuity plan whereby donors may transfer assets to HoH, in exchange for the right to receive a fixed-dollar, annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as a contribution without donor restriction at the date of the gift unless the gift portion is restricted. The actuarial liability for gift annuity contracts is evaluated annually and any surplus or deficiency is recognized as change in value of annuities. HoH recognized a \$8,661 decrease in change in value of annuities for the year ended December 31, 2023.

Note 7 – Revenue from Contracts with Customers:

Revenue from contracts with customers should be recognized when HoH fulfills its performance obligations to its customers. The sources of revenue from contracts with customers are as follows:

Literature sales – Revenue consists of Bible and other literature sales. Revenue is recorded at the time funds are received. No contract assets or liabilities exist, including any obligations for returns or refunds.

Note 8 – Net Assets with Donor Restrictions:

Net assets with donor restrictions were available as of December 31, 2023 for the following purposes:

<u>Purpose</u>	
Bibles and Literature	\$ 69,431
International Broadcasts	389,676
Ministry Partner	3,450
Pastor Training	<u>4,654</u>
Total	<u>\$ 467,211</u>

Note 9 – Major Donors:

During 2023, HoH received \$357,193 of contributions from one donor. These contributions accounted for 16.61% of HoH's total contributions for the year.

Heralds of Hope, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2023

Note 10 – Loss:

Heralds of Hope initially purchased Bibles for Zambian pastors from the Zambian Bible Society. As demand increased, a pastor suggested a cheaper bookstore. Funds were sent to this bookstore, and the pastors confirmed receipt of Bibles with pictures or testimonies. However, upon deciding to visit for verification, it was discovered through other local contacts that the bookstore didn't exist. The organization immediately ceased purchases from this bookstore, suspecting that while some Bibles may have been distributed, a significant portion of the interaction was fraudulent. The related loss in the current year was deemed to be approximately \$68,000.