

# **HERALDS OF HOPE, INC.**

## ***FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT***

**FOR THE YEAR ENDED DECEMBER 31, 2024**

# HERALDS OF HOPE, INC.

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of Directors  
Heralds of Hope, Inc.  
Harrisonville, PA**

### ***Opinion***

We have audited the financial statements of Heralds of Hope, Inc., which comprise the statement of financial position as of December 31, 2024, 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, 2024, 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.

**To the Board of Directors  
Heralds of Hope, Inc.  
Harrisonville, PA**

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.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 6, 2025**

# HERALDS OF HOPE, INC.

## STATEMENT OF FINANCIAL POSITION

December 31, 2024

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ASSETS	
<b>ASSETS</b>	
Cash	\$ 831,079
Investments	1,558,182
Inventory	23,078
Prepaid expenses and other assets	13,147
Property and equipment, net of accumulated depreciation of \$480,305	<u>252,149</u>
Total assets	<u><u>\$ 2,677,635</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 55,089
Accrued liabilities	9,535
Gift annuity contracts	<u>54,097</u>
Total liabilities	<u>118,721</u>
 <b>NET ASSETS</b>	
Without donor restrictions	2,172,531
With donor restrictions	<u>386,383</u>
Total net assets	<u>2,558,914</u>
Total liabilities and net assets	<u><u>\$ 2,677,635</u></u>

# HERALDS OF HOPE, INC.

## STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue And Support</b>			
Contribution revenue	\$ 955,325	\$ 1,348,065	\$ 2,303,390
Literature sales	168	-	168
Rental income	15,443	-	15,443
Miscellaneous income	1,671	-	1,671
Investment income	124,239	-	124,239
Change in value of annuities	(1,302)	-	(1,302)
Total Revenue and support	<u>1,095,544</u>	<u>1,348,065</u>	<u>2,443,609</u>
<b>Reclassifications</b>			
Satisfaction of program restrictions	<u>1,428,893</u>	<u>(1,428,893)</u>	<u>-</u>
<b>Expenses</b>			
Program	1,917,760	-	1,917,760
Administration	249,099	-	249,099
Fund raising	<u>231,532</u>	<u>-</u>	<u>231,532</u>
Total expenses	<u>2,398,391</u>	<u>-</u>	<u>2,398,391</u>
Change in net assets	126,046	(80,828)	45,218
Net assets, beginning of year	<u>2,046,485</u>	<u>467,211</u>	<u>2,513,696</u>
Net assets, end of year	<u>\$ 2,172,531</u>	<u>\$ 386,383</u>	<u>\$ 2,558,914</u>

# HERALDS OF HOPE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2024

	<u>Program</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 233,101	\$ 133,343	\$ 107,879	\$ 474,323
Payroll taxes	15,747	12,303	8,598	36,648
Other employment benefits	22,017	12,809	11,085	45,911
Radio time purchases	639,871	-	4,163	644,034
Grants and assistance	323,355	-	-	323,355
Bibles and literature	607,329	-	-	607,329
Postage and freight	8,804	2,314	9,129	20,247
Advertising and promotion	4,800	-	28,615	33,415
Depreciation	12,550	12,551	-	25,101
Auto and travel	27,753	12,324	12,569	52,646
Supplies	408	1,341	32,173	33,922
Repairs and maintenance	-	15,788	-	15,788
Information technology	11,118	6,949	8,178	26,245
Professional fees	5	11,292	4,483	15,780
Occupancy	2,861	10,087	1,333	14,281
Bank and credit card fees	3,070	7,422	-	10,492
Utilities	1,554	4,267	724	6,545
Conferences and training	1,882	2,433	1,193	5,508
Food	413	3,184	854	4,451
Insurance	<u>1,122</u>	<u>692</u>	<u>556</u>	<u>2,370</u>
Total expenses	<u>\$1,917,760</u>	<u>\$ 249,099</u>	<u>\$ 231,532</u>	<u>\$2,398,391</u>

# HERALDS OF HOPE, INC.

## STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2024

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 45,218
<b><i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i></b>	
Depreciation	25,101
Realized and unrealized gain on investments	(16,708)
Actuarial loss	1,302
Changes in assets and liabilities	
(Increase) decrease in	
Inventory	178,526
Prepaid expenses and other assets	2,240
Increase (decrease) in	
Accounts payable	4,024
Accrued liabilities	<u>(10,285)</u>
Net cash provided by operating activities	<u>229,418</u>

### Cash flows from investing activities

Purchases of property and equipment	(30,350)
Proceeds from sale of investments	7,562
Purchase of investments	<u>(335,396)</u>
Net cash used for investing activities	(358,184)

### Cash flows from financing activities

Payments of gift annuity contract	<u>(10,123)</u>
Net cash used by financing activities	<u>(10,123)</u>
Net decrease in cash	(138,889)

Cash and cash equivalents, beginning of year	<u>969,968</u>
Cash and cash equivalents, end of year	<u>\$ 831,079</u>



# HERALDS OF HOPE, INC.

## *NOTES TO FINANCIAL STATEMENTS*

For The Year Ended December 31, 2024

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### (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 Harrisonville, 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 and expenses when incurred. 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 that 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, 2024.

#### *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.

# HERALDS OF HOPE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

For The Year Ended December 31, 2024

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### 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. Investment in debt securities are valued at par with accrued interest and are considered level 2 securities as interest earned is commensurate with market interest rates. Other equity investments are valued using HoH's capital basis.

Debt securities represent unsecured debt instruments with another conservative Anabaptist organization. These instruments are non-transferable and can only be redeemed by HoH. 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 5.35% for long-term holdings and 3.35% for short-term holdings. HoH had \$1,672,358 invested in such instruments at December 31, 2024, with \$191,761 considered cash equivalents and \$1,480,597 reported as 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 HoH 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 purposes or for use in a future reporting period.

### 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 – (Continued)

For The Year Ended December 31, 2024

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### ***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.

### ***CONCENTRATION OF CREDIT RISK***

HoH occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, Contingencies, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

## **(2) 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 2024, 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	\$ 831,079
Investments	<u>1,558,182</u>
Total financial assets	2,389,261
Less those unavailable for general expenditures within one year due to:	
Restricted by donors with time or purpose restrictions	<u>(386,383)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,002,878</u>

# HERALDS OF HOPE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

For The Year Ended December 31, 2024

### (3) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

#### Description

Land	\$ 24,000
Buildings	337,829
Land and building improvements	311,273
Furniture and equipment	51,225
Vehicles	<u>8,127</u>
Total	732,454
Less accumulated depreciation	<u>(480,305)</u>
Property and equipment, net	<u>\$ 252,149</u>

### (4) 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, 2024. 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>Total</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market funds	\$ 1,886	\$ 1,886	\$ -	\$ -
Debt securities	1,480,597	-	1,480,597	-
Precious metals	39,427	39,427	-	-
Equity mutual funds and ETFs	10,006	10,006	-	-
Fixed income funds	7,696	7,696	-	-
Equity investment	<u>18,570</u>	<u>-</u>	<u>-</u>	<u>18,570</u>
Total	<u>\$ 1,558,182</u>	<u>\$ 59,015</u>	<u>\$ 1,480,597</u>	<u>\$ 18,570</u>

# HERALDS OF HOPE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### For The Year Ended December 31, 2024

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During the year ended December 31, 2024, HoH transferred an equity investment from level 2 to level 3 in the amount of \$18,570. HoH valued the level 3 security based on its capital balance in the investment as of December 31, 2024. A positive change in the capital balance would positively affect the value of the investment.

Investment income consists of:

	<u>2024</u>
Interest and dividends	\$ 107,531
Net realized gains	799
Net unrealized gains	<u>15,909</u>
Total	<u>\$ 124,239</u>

#### (5) 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 component 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 net \$1,302 decrease in change in value of annuities for the year ended December 31, 2024.

#### (6) 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.

#### (7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as of December 31, 2024 for the following purposes:

##### Purpose

Bibles and Literature	\$ 11,816
International Broadcasts	369,913
Pastor Training	<u>4,654</u>
Total	<u>\$ 386,383</u>

\$1,428,893 of net assets were released from restriction from incurring expenses in accordance with donor stipulations.

# HERALDS OF HOPE, INC.

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

**For The Year Ended December 31, 2024**

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### **(8) SUBSEQUENT EVENTS**

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 6, 2025 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statement.