

HOPE GOSPEL MISSION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**HOPE GOSPEL MISSION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Gospel Mission, Inc.
Eau Claire, Wisconsin

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Hope Gospel Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and 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, except for the effect of departure discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Gospel Mission, Inc. as of June 30, 2022 and 2021, 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 Qualified Opinion

As more fully described in Note 1 to the financial statements, Hope Gospel Mission, Inc. did not include in-kind contributions and costs of goods sold for donated items received and sold at June 30, 2022 and 2021. In our opinion, accounting principles generally accepted in the United States of America require recording of in-kind donation and cost of goods sold for donated items received and sold at stores.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Gospel Mission, Inc. 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 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 Hope Gospel Mission, Inc.'s ability to continue as a going concern for one year after the date 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 auditors' 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 Hope Gospel Mission, 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 Hope Gospel Mission, 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.



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
November 11, 2022

HOPE GOSPEL MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,046,461	\$ 2,059,772
Restricted Cash	22,577	24,817
Grants and Accounts Receivable	5,000	-
Unconditional Promises to Give	5,000	8,075
Inventory	669,567	682,921
Prepaid Expenses	28,204	40,431
Other Deposits	61,171	1,875
Total Current Assets	2,837,980	2,817,891
PROPERTY AND EQUIPMENT, NET	7,583,762	7,530,055
INVESTMENTS	426,230	-
FUNDS HELD AT FOUNDATION	12,335	14,760
Total Assets	\$ 10,860,307	\$ 10,362,706
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 83,239	\$ 318,368
Accounts Payable	226,793	93,440
Accrued Liabilities	216,096	302,864
Funds Held for Others	22,577	24,817
Total Current Liabilities	548,705	739,489
LONG-TERM DEBT, Less Current Maturities	1,911,491	1,728,561
Total Liabilities	2,460,196	2,468,050
NET ASSETS		
Without Donor Restrictions	8,389,511	7,886,581
With Donor Restrictions	10,600	8,075
Total Net Assets	8,400,111	7,894,656
Total Liabilities and Net Assets	\$ 10,860,307	\$ 10,362,706

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT						
Program Service Revenue	\$ 40,880	\$ -	\$ 40,880	\$ 24,758	\$ -	\$ 24,758
Contributions	1,595,123	5,600	1,600,723	1,488,911	-	1,488,911
In-Kind Contributions	18,022	-	18,022	-	-	-
Bargain Center Sales	3,616,298	-	3,616,298	3,173,687	-	3,173,687
Building Hope Sales	644,406	-	644,406	606,617	-	606,617
Auto Sales	23,959	-	23,959	79,641	-	79,641
Scrap Sales	277,466	-	277,466	187,269	-	187,269
Investment Income (Loss)	(16,516)	-	(16,516)	446	-	446
Gain (Loss) on Disposal of Assets	(25,601)	-	(25,601)	-	-	-
Miscellaneous Income	(274)	-	(274)	465,946	-	465,946
Expiration of Time and Use Restrictions	3,075	(3,075)	-	170,584	(170,584)	-
Total Revenues and Other Support	<u>6,176,838</u>	<u>2,525</u>	<u>6,179,363</u>	<u>6,197,859</u>	<u>(170,584)</u>	<u>6,027,275</u>
EXPENSES						
Program Services	1,776,281	-	1,776,281	1,628,908	-	1,628,908
Management and General	642,913	-	642,913	577,721	-	577,721
Fundraising	479,801	-	479,801	387,337	-	387,337
Bargain Center	2,175,831	-	2,175,831	1,929,145	-	1,929,145
Building Hope	563,877	-	563,877	458,521	-	458,521
Hope Gospel Mission Auto Sales	35,205	-	35,205	36,017	-	36,017
Total Expenses	<u>5,673,908</u>	<u>-</u>	<u>5,673,908</u>	<u>5,017,649</u>	<u>-</u>	<u>5,017,649</u>
CHANGES IN NET ASSETS	502,930	2,525	505,455	1,180,210	(170,584)	1,009,626
Net Assets - Beginning of Year	<u>7,886,581</u>	<u>8,075</u>	<u>7,894,656</u>	<u>6,706,371</u>	<u>178,659</u>	<u>6,885,030</u>
NET ASSETS - END OF YEAR	<u>\$ 8,389,511</u>	<u>\$ 10,600</u>	<u>\$ 8,400,111</u>	<u>\$ 7,886,581</u>	<u>\$ 8,075</u>	<u>\$ 7,894,656</u>

See accompanying Notes to Financial Statements.

**HOPE GOSPEL MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

2022

	2022						Totals
	Program Services	Program Bargain Center	Program Building Hope	Auto Sales	Management and General	Fundraising	
Personnel	\$ 1,184,223	\$ 1,267,590	\$ 246,559	\$ 11,360	\$ 524,478	\$ 211,315	\$ 3,445,525
Insurance	45,464	99,135	34,643	4,474	31,262	15,130	230,108
Utilities	86,816	252,216	92,792	1,089	9,163	6,446	448,522
Interest	13,567	31,272	19,599	2,283	81	40	66,842
Cost of Goods Sold	-	10,547	45,012	1,918	-	-	57,477
Advertising and Promotional Vouchers	430	92,180	16,307	25	-	-	108,942
Professional Fees	-	61,234	-	-	-	-	61,234
Bank and Credit Card Charges	4,940	2,700	900	-	30,630	-	39,170
Donor Cultivation Expense	-	79,497	15,891	-	60	5,719	101,167
Gifts and Recognition	921	-	-	-	-	185,226	186,147
Store Supplies	41,496	-	-	7,619	11,771	580	61,466
Program Expenses	-	47,072	5,793	-	-	-	52,865
Special Events	21,940	-	-	-	-	-	21,940
Vehicle and Travel	701	185	-	-	13,779	31,135	45,800
Repairs and Maintenance	18,865	23,441	33,126	1,036	2,414	1,422	80,304
Training and Conferences	44,049	42,210	19,111	753	2,167	565	108,855
Database and Website	54,443	14,601	545	-	7,125	1,350	78,064
Supplies	12,980	6,433	1,321	330	1,507	13,486	36,057
Rent Expense	18,913	16,027	2,610	4,089	4,440	3,046	49,125
Food	-	39,752	3,550	-	-	-	43,302
Printing and Reproduction	25,266	3,013	550	54	1,321	604	30,808
Postage and Delivery	553	675	117	62	260	1,168	2,835
Resident Supplies	390	479	142	113	151	512	1,787
Property Taxes	13,837	-	-	-	-	-	13,837
Miscellaneous	4,842	-	-	-	-	-	4,842
	5,087	6,781	2,057	-	2,304	2,057	18,286
Total Expenses Before Depreciation	<u>1,599,723</u>	<u>2,097,040</u>	<u>540,625</u>	<u>35,205</u>	<u>642,913</u>	<u>479,801</u>	<u>5,395,307</u>
Depreciation	176,558	78,791	23,252	-	-	-	278,601
Total Expenses	<u>\$ 1,776,281</u>	<u>\$ 2,175,831</u>	<u>\$ 563,877</u>	<u>\$ 35,205</u>	<u>\$ 642,913</u>	<u>\$ 479,801</u>	<u>\$ 5,673,908</u>

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	2021						Totals
	Program Services	Program Bargain Center	Building Hope	Auto Sales	Management and General	Fundraising	
Personnel	\$ 958,957	\$ 1,153,251	\$ 237,670	\$ 15,279	\$ 473,035	\$ 165,575	\$ 3,003,767
Capital Campaign Expenses	-	-	-	-	-	5,152	5,152
Insurance	118,164	83,304	29,581	4,974	27,376	11,306	274,705
Utilities	79,690	221,072	64,261	2,127	5,952	4,645	377,747
Interest	35,424	43,362	27,562	2,740	95	48	109,231
Cost of Goods Sold	-	2,472	10,575	5,693	-	-	18,740
Advertising and Promotional	500	90,199	18,628	-	100	7	109,434
Vouchers	-	55,021	-	-	-	-	55,021
Professional Fees	3,405	3,391	913	-	28,009	-	35,718
Bank and Credit Card Charges	-	56,889	8,161	-	91	8,363	73,504
Donor Cultivation Expense	467	-	-	-	-	151,968	152,435
Gifts and Recognition	19,028	-	-	3,148	14,241	363	36,780
Store Supplies	-	33,788	5,158	-	-	-	38,946
Program Expenses	26,072	-	-	-	-	-	26,072
Special Events	-	233	-	-	12,924	17,986	31,143
Vehicle and Travel	9,368	25,774	14,356	355	760	1,294	51,907
Repairs and Maintenance	59,988	23,067	9,586	845	1,895	654	96,035
Training and Conferences	45,608	5,131	906	-	5,568	2,530	59,743
Database and Website	25,279	2,909	777	-	1,735	11,139	41,839
Supplies	30,673	10,014	3,034	461	2,773	2,314	49,269
Rent Expense	-	43,811	3,000	-	-	-	46,811
Food	18,643	3,311	543	50	1,267	518	24,332
Printing and Reproduction	4,520	819	108	-	-	-	5,447
Postage and Delivery	1,417	236	95	-	-	-	1,748
Resident Supplies	14,862	-	-	-	-	-	14,862
Miscellaneous	2,198	2,602	56	345	1,900	3,475	10,576
Total Expenses Before Depreciation	1,454,263	1,860,656	434,970	36,017	577,721	387,337	4,750,964
Depreciation	174,645	68,489	23,551	-	-	-	266,685
Total Expenses	<u>\$ 1,628,908</u>	<u>\$ 1,929,145</u>	<u>\$ 458,521</u>	<u>\$ 36,017</u>	<u>\$ 577,721</u>	<u>\$ 387,337</u>	<u>\$ 5,017,649</u>

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 505,455	\$ 1,009,626
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	278,601	266,685
Loss on Disposal of Fixed Assets	25,601	-
Realized and Unrealized Losses on Investments	18,651	-
Noncash Loan Forgiveness	-	(450,000)
Change in Value of Holdings at Eau Claire Community Foundation	2,425	(2,867)
(Increase) Decrease in:		
Grants Receivable	(5,000)	10,867
Unconditional Promises to Give	3,075	170,584
Prepaid Expenses	12,227	(3,715)
Other Deposits	(59,296)	-
Inventory	13,354	(29,653)
Increase (Decrease) in:		
Accounts Payable	92,070	14,590
Accrued Liabilities	(86,768)	49,146
Funds Held for Others	(2,240)	5,090
Net Cash Provided by Operating Activities	<u>798,155</u>	<u>1,040,353</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(150,392)	(499,810)
Purchase of Investments	(458,146)	-
Proceeds on Sale of Investments	13,265	-
Net Cash Used by Investing Activities	<u>(595,273)</u>	<u>(499,810)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	103,766	-
Payments on Long-Term Debt	(322,199)	(595,079)
Net Cash Used by Financing Activities	<u>(218,433)</u>	<u>(595,079)</u>
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(15,551)	(54,536)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>2,084,589</u>	<u>2,139,125</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 2,069,038</u>	<u>\$ 2,084,589</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 66,842</u>	<u>\$ 109,231</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 2,046,461	2,059,772
Restricted Cash	22,577	24,817
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 2,069,038</u>	<u>\$ 2,084,589</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash Purchase of Fixed Assets in Accounts Payable	<u>\$ 41,283</u>	<u>\$ -</u>
Noncash Purchase of Fixed Assets through Debt	<u>\$ 166,234</u>	<u>\$ -</u>
Noncash Amounts Refinanced	<u>\$ 400,000</u>	<u>\$ 600,546</u>

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hope Gospel Mission, Inc. (the Mission) is a Christian 501(c)(3) nonprofit organization. The Mission operates shelter and rehabilitation programs for homeless and needy men and women in Western Wisconsin. In addition, the Mission operates businesses, such as the Bargain Centers and Building Hope, to provide job skills training for residents and income to support program services. The ultimate goal of Hope Gospel Mission is to help its residents renew their lives to become productive members of society.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Mission and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 revenue and expenses during the reporting period. Actual results could vary from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and short-term investments which have an original maturity of three months or less. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times, cash in bank may exceed FDIC insurable limits.

Restricted Cash

Restricted cash consists of cash held for participants in the Mission's programs.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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 with donor restrictions are reclassified to net assets without donor restrictions.

Donated Inventory

Inventory consists of items purchased for resale, donated vehicles, clothing, appliances, toys, etc.

Donated inventory items are recorded at sales price when they are sold. Prior to being offered for sale and included in inventory, donated items are not valued due to uncertainties concerning their value. Substantially all Hope Gospel Mission Auto Sales, Bargain Center Sales, and Building Hope sales are derived from the sale of in-kind support, which is being reported on the statement of activities at the sales price. This is a departure from GAAP for not recording an in-kind donation and cost of goods sold.

Purchased merchandise inventory is valued at lower of cost or net realizable value; first-in, first-out.

Property and Equipment and Depreciation

Capital expenditures of \$5,000 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	7 to 50 Years
Equipment	7 Years
Vehicles	5 Years

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of the donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are placed in service as specified by the donor. The Mission reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held for Others

Funds held for others consist of resident funds held by the Mission and are included in restricted cash.

Revenue Recognition

Contributions are recorded as revenue when received or promised (pledged) unconditionally, at their fair value. Gifts received with donor stipulations that limit the use of the donated assets are reported as donor-restricted support. The Mission recognizes income from legacies and bequests when an unassailable right to the gift has been established by the court and the proceeds are measurable in amount. When a donor restriction expires, that is, when a time restriction ends or purpose restricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

Program revenues are recorded as revenue when the service is provided.

Sales revenue and cost of sales from thrift store are reported net of discounts, estimated returns, and sales taxes.

Donated Services

Donated services meeting the requirements for recognition (i.e., requiring a specialized skill or creating or enhancing nonfinancial assets) are reflected in the statement of activities. The value of these services is determined objectively using the market value for similar services. In addition, the Mission receives a significant amount of donated services from unpaid volunteers who assist with various activities. These services are not recognized in the financial statements.

Presentation of Sales Taxes

The Mission collects sales taxes from nonexempt customers and remits these taxes to various state and local governments. The Mission's accounting policy is to exclude the tax collected and remitted to the state and local governments from both revenues and expenses.

Income Taxes

The Mission has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code (IRC) and Wisconsin Statute. It has been classified as an organization that is not a private foundation under the IRC and charitable contributions by donors are tax deductible.

The Mission has evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2022.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Hope Gospel Mission, Inc. expenses advertising costs in the period the expense is incurred. Advertising expense was \$108,942 and \$109,434 during the years ended June 30, 2022 and 2021, respectively.

Functional Expense Allocation

Functional expenses are allocated between program services, management and general, fundraising, Hope Bargain Center, Building Hope, and Auto Sales based on an analysis of the accounts and management judgment.

Fair Value Measurements

The Mission measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Mission may use valuation techniques consistent with the market, income, and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds that the Mission has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Mission's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through November 11, 2022, the date the financial statements were available to be issued.

Adoption of Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

NOTE 2 LIQUIDITY AND AVAILABILTY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,046,461	\$ 2,059,772
Operating Investments	426,230	-
Grants and Accounts Receivable	5,000	-
Unconditional Promises to Give	<u>5,000</u>	<u>8,075</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 2,482,691</u>	<u>\$ 2,067,847</u>

As part of their liquidity management plan, the Mission invests cash in short-term investments, certificates of deposits, and money market funds.

NOTE 3 INVENTORY

Inventory consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
New Items Purchased for Resale	\$ 70,309	\$ 57,490
Donated Items	363,083	486,370
Unprocessed Items	<u>236,175</u>	<u>139,061</u>
Total	<u>\$ 669,567</u>	<u>\$ 682,921</u>

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Promises to give are for building and renovating the women's building and women and children's building. All promises to give are expected to be collected within one year with no discount recorded.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,249,852	\$ 1,230,610
Building and Improvements	7,005,332	6,848,929
Vehicles	416,758	372,480
Equipment	427,050	436,712
Construction in Progress	54,152	-
Total	<u>9,153,144</u>	<u>8,888,731</u>
Less: Accumulated Depreciation	<u>(1,569,382)</u>	<u>(1,358,676)</u>
Total Property and Equipment	<u>\$ 7,583,762</u>	<u>\$ 7,530,055</u>

The Mission also has a construction contract for \$308,900 for construction to be completed after June 30, 2022. The Mission also has an agreement to purchase bedding systems for a total of \$39,600 of which \$7,920 has been paid as of June 30, 2022 and \$31,680 will be paid when the bedding systems have been installed after June 30, 2022.

NOTE 6 INVESTMENTS

The Mission carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

	<u>2022</u>		
	Fair Value	Original Value	Unrealized Gain (Loss)
Mutual Funds - Equities	\$ 137,046	\$ 148,554	\$ (11,508)
Mutual Funds - Fixed Income	248,771	254,650	(5,879)
Alternative Investments	40,413	41,755	(1,342)
Funds Held at Community Foundation	12,335	-	** -
Total	<u>\$ 438,565</u>	<u>\$ 444,959</u>	<u>\$ (18,729)</u>
	<u>2021</u>		
	Fair Value	Original Value	Unrealized Gain
Funds Held at Community Foundation	<u>\$ 14,760</u>	<u>\$ -</u>	<u>** \$ -</u>

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 INVESTMENTS (CONTINUED)

** Original value or cost basis of Funds Held at Community Foundation is not readily determinable due to the nature of the investment holdings and reporting practices of the Foundation.

NOTE 7 FUNDS HELD AT EAU CLAIRE COMMUNITY FOUNDATION

The Mission has transferred money to the Eau Claire Community Foundation (Foundation) to be held in a fund titled Hope Gospel Mission Endowment Fund. The funds are property of the Foundation. Distributions from the fund can only be made with the approval of the Foundation's Board of Trustees.

NOTE 8 FAIR VALUE MEASUREMENTS

The Mission uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Mission measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Mission measured at fair value on a recurring basis as of June 30:

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Funds Held at Eau Claire Community Foundation	\$ -	\$ -	\$ 12,335	\$ 12,335
Mutual Funds - Equity	137,046	-	-	137,046
Mutual Funds - Fixed	-	248,771	-	248,771
Alternative Investments	-	40,413	-	40,413
Total	<u>\$ 137,046</u>	<u>\$ 289,184</u>	<u>\$ 12,335</u>	<u>\$ 438,565</u>
	2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Funds Held at Eau Claire Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,760</u>	<u>\$ 14,760</u>

The investment at Eau Claire Community Foundation is measured on a recurring basis using the percentage of the Hope Gospel Mission fund's contributions compared to the total pool of investments held at the Foundation. The investments held at the Eau Claire Community Foundation are readily marketable. There were no purchases, issuances, or transfers in or out of Level 3 funds during the years ended June 30, 2022 and 2021.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 LONG-TERM DEBT

Long-term debt consists of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Mortgage Payable to Northwestern Bank due in monthly installments of \$4,275.20 including interest at 3.5% through January 21, 2026, secured by Bargain Center Real Estate.	\$ 552,197	\$ 583,299
Mortgage Payable to Northwestern Bank due in monthly installments of \$5,189 including interest at 3.5% through December 2023, secured by the Building Hope and Learning Center Buildings.	779,679	813,630
Mortgage Payable to Northwestern Bank due January 2022 including interest at 5% secured by the Frank Street property.	-	250,000
Land Contract Payable due in monthly interest only installments of \$1,333 through December 2021, when the loan is due in full. Refinanced in December 2021.	-	400,000
Loan Payable to Citizens Community Federal National Association due in monthly principal installments plus interest. The rate and payments change every 5 years. Beginning in January, 2022 monthly payments are \$2,228.22 including interest at 3%. In January, 2027 monthly payments are \$2,234.52 including interest based on the 5 Year Federal Home Loan Bank of Chicago, plus a margin of 1.630%. The final payment of \$2,234.33 including interest based on the 5 YEAR Federal Home Loan Bank of Chicago, plus a margin of 1.630% is due in December, 2041.	392,854	-
Loan Payable to Northwestern Bank due in monthly interest only installments of \$844 through July 2024 when the loan is due in full. Secured by the Security Instrument for the Mondovi Bargain Center Building.	<u>270,000</u>	<u>-</u>
Total Long-Term Debt	1,994,730	2,046,929
Less: Current Maturities	<u>(83,239)</u>	<u>(318,368)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 1,911,491</u>	<u>\$ 1,728,561</u>

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 LONG-TERM DEBT (CONTINUED)

Future scheduled maturities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 83,239
2024	86,122
2025	359,104
2026	1,136,884
2027	17,093
Thereafter	312,288
Total	<u><u>\$ 1,994,730</u></u>

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Men's Home Pergola	\$ 5,600	\$ -
Subject to Time Restrictions:		
Unconditional Promises to Give	<u>5,000</u>	<u>8,075</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 10,600</u></u>	<u><u>\$ 8,075</u></u>

NOTE 11 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Subject to Time Restrictions:		
Pledges for Campaigns	<u>\$ 3,075</u>	<u>\$ 170,584</u>
Total Net Assets Released from Restrictions	<u><u>\$ 3,075</u></u>	<u><u>\$ 170,584</u></u>

NOTE 12 RETIREMENT PLAN

The Mission offers qualified staff employees the opportunity for participation in a contributory retirement plan. The Mission matches employees' contributions up to 3% of their regular salary. The Mission's contribution was \$38,647 and \$28,207 for the years ended June 30, 2022 and 2021, respectively.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 13 VOUCHERS

Included in contributions income and expense for the years ended June 30, 2022 and 2021, are \$61,234 and \$55,021, respectively, for vouchers given directly to needy individuals in the Western Wisconsin area for clothing and furniture at the Bargain Center.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Federal Home Loan Bank Affordable Housing Program

In November 2018, the Mission received funding from Wells Fargo Financial National Bank as part of the Federal Home Loan Bank Affordable Housing Program to be used to build the men's shelter. This funding is contingent on maintaining the property for housing services for 15 years. If the property is not maintained for housing as specified in the grant, the Mission will be required to return of the funding in the amount of \$800,000.

Payroll Protection Program

On April 15, 2020, the Mission received a loan from Citizens Community Federal N.A. in the amount of \$450,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Mission fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is forgiven, the Mission will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, commencing in October 2020 principal and interest payments will be required through the maturing date in April 2022.

The Mission is following ASC 470, Debt, to account for the initial receipts related to the PPP Loan. On April 6, 2021, the SBA processed the Mission's PPP Loan forgiveness application and notified Citizens Community Federal N.A. the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Mission was legally released from the debt and the loan forgiveness has been recorded as a contribution, which is included in income during the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Mission's financial position

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 15 CONTRIBUTED NONFINANCIAL ASSETS

For the years ending June 30, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2022</u>	<u>2021</u>
Residents and Community Dinners	\$ 4,249	\$ -
Annual Banquet	4,664	-
Donated Goods and Services	<u>9,109</u>	<u>-</u>
Total Donated Goods and Services	<u>\$ 18,022</u>	<u>\$ -</u>

The Mission recognized nonfinancial assets within revenues and other support. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed inventory is sold in the Hope Gospel Mission Bargain Center and Building Hope stores or as scrap and the proceeds are used to support general operations of the mission. Contributed vehicles are sold and proceeds are used to support general operations of the mission or vehicles are given to program participants upon completion of the program.

Additionally, the Mission receives a significant amount of contributed time that does not meet the recognition criteria for contributed professional services. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying statements of activities.

NOTE 16 SUBSEQUENT EVENTS

In July 2022, the Mission secured a construction loan of \$2,000,000 at 3.75% with Northwestern Bank. Monthly payments of accrued unpaid interest are due beginning August 19, 2022. The outstanding principal plus any accrued unpaid interest is due in one payment on July 19, 2024.

The Mission also has a construction contract for \$308,900 for construction to be completed after year-end.



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