

**HOPE GOSPEL MISSION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility 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; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors  
Hope Gospel Mission, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Gospel Mission, Inc. as of June 30, 2021 and 2020 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Eau Claire, Wisconsin  
December 14, 2021

**HOPE GOSPEL MISSION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,059,772	\$ 2,119,398
Restricted Cash	24,817	19,727
Grants and Accounts Receivable	-	10,867
Unconditional Promises to Give	8,075	98,504
Inventory	682,921	653,268
Prepaid Expenses	40,431	36,716
Funds Held in Escrow	1,875	1,875
Total Current Assets	2,817,891	2,940,355
<b>PROPERTY AND EQUIPMENT, NET</b>	7,530,055	7,296,930
<b>NONCURRENT UNCONDITIONAL PROMISES TO GIVE</b>	-	80,155
<b>FUNDS HELD AT FOUNDATION</b>	14,760	11,893
Total Assets	\$ 10,362,706	\$ 10,329,333
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 318,368	\$ 1,322,704
Accounts Payable	93,440	78,850
Accrued Liabilities	302,864	253,718
Funds Held for Others	24,817	19,727
Total Current Liabilities	739,489	1,674,999
<b>LONG-TERM DEBT, Less Current Maturities</b>	1,728,561	1,769,304
Total Liabilities	2,468,050	3,444,303
<b>NET ASSETS</b>		
Without Donor Restrictions	7,886,581	6,706,371
With Donor Restrictions	8,075	178,659
Total Net Assets	7,894,656	6,885,030
Total Liabilities and Net Assets	\$ 10,362,706	\$ 10,329,333

See accompanying Notes to Financial Statements.

**HOPE GOSPEL MISSION, INC.  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>REVENUES AND OTHER SUPPORT</b>						
Program Service Revenue	\$ 24,758	\$ -	\$ 24,758	\$ 21,749	\$ -	\$ 21,749
Contributions	1,488,911	-	1,488,911	1,799,644	-	1,799,644
Bargain Center Sales	3,173,687	-	3,173,687	2,698,341	-	2,698,341
Building Hope Sales	606,617	-	606,617	553,050	-	553,050
Auto Sales	79,641	-	79,641	21,873	-	21,873
Investment Income	446	-	446	6,435	-	6,435
Miscellaneous Income	653,215	-	653,215	130,984	-	130,984
Expiration of Time and Use Restrictions	170,584	(170,584)	-	64,566	(64,566)	-
Total Revenues and Other Support	6,197,859	(170,584)	6,027,275	5,296,642	(64,566)	5,232,076
<b>EXPENSES</b>						
Program Services	1,628,908	-	1,628,908	1,433,802	-	1,433,802
Management and General	577,721	-	577,721	472,491	-	472,491
Fundraising	387,337	-	387,337	412,816	-	412,816
Bargain Center	1,929,145	-	1,929,145	1,747,589	-	1,747,589
Building Hope	458,521	-	458,521	508,109	-	508,109
Hope Gospel Mission Auto Sales	36,017	-	36,017	31,961	-	31,961
Total Expenses	5,017,649	-	5,017,649	4,606,768	-	4,606,768
<b>CHANGES IN NET ASSETS</b>	1,180,210	(170,584)	1,009,626	689,874	(64,566)	625,308
Net Assets - Beginning of Year	6,706,371	178,659	6,885,030	6,016,497	243,225	6,259,722
<b>NET ASSETS - END OF YEAR</b>	<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>

See accompanying Notes to Financial Statements.

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

2021

	Program						Totals
	Program Services	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 Vouchers	500	90,199	18,628	-	100	7	109,434
Professional Fees	-	55,021	-	-	-	-	55,021
Bank and Credit Card Charges	3,405	3,391	913	-	28,009	-	35,718
Donor Cultivation Expense	-	56,889	8,161	-	91	8,363	73,504
Gifts and Recognition	467	-	-	-	-	151,968	152,435
Store Supplies	19,028	-	-	3,148	14,241	363	36,780
Program Expenses	-	33,788	5,158	-	-	-	38,946
Special Events	26,072	-	-	-	-	-	26,072
Vehicle and Travel	-	233	-	-	12,924	17,986	31,143
Repairs and Maintenance	9,368	25,774	14,356	355	760	1,294	51,907
Training and Conferences	59,988	23,067	9,586	845	1,895	654	96,035
Database and Website	45,608	5,131	906	-	5,568	2,530	59,743
Supplies	25,279	2,909	777	-	1,735	11,139	41,839
Rent Expense	30,673	10,014	3,034	461	2,773	2,314	49,269
Food	-	43,811	3,000	-	-	-	46,811
Printing and Reproduction	18,643	3,311	543	50	1,267	518	24,332
Postage and Delivery	4,520	819	108	-	-	-	5,447
Resident Supplies	1,417	236	95	-	-	-	1,748
Miscellaneous	14,862	-	-	-	-	-	14,862
	2,198	2,602	56	345	1,900	3,475	10,576
Total Expenses Before Depreciation	<u>1,454,263</u>	<u>1,860,656</u>	<u>434,970</u>	<u>36,017</u>	<u>577,721</u>	<u>387,337</u>	<u>4,750,964</u>
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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

2020

	Program			Auto Sales	Management and General	Fundraising	Totals
	Program Services	Bargain Center	Building Hope				
Personnel	\$ 808,514	\$ 962,817	\$ 219,039	\$ 13,254	\$ 388,711	\$ 193,363	\$ 2,585,698
Capital Campaign Expenses	-	-	-	-	-	11,356	11,356
Opening Expenses	129,296	-	-	-	-	-	129,296
Insurance	77,998	77,930	28,886	5,222	3,152	18,068	211,256
Utilities	63,412	183,283	64,120	2,347	8,196	7,429	328,787
Interest	22,618	35,386	30,177	2,242	79	40	90,542
Cost of Goods Sold	-	8,289	44,848	3,183	-	-	56,320
Advertising and Promotional	4,738	75,288	16,802	-	4,752	77	101,657
Vouchers	-	57,027	-	-	-	-	57,027
Professional Fees	4,165	150	130	-	23,866	-	28,311
Bank and Credit Card Charges	-	50,297	12,946	-	165	6,468	69,876
Donor Cultivation Expense	477	-	-	-	-	131,233	131,710
Gifts and Recognition	18,535	-	-	4,707	9,197	433	32,872
Store Supplies	-	33,719	21,010	-	-	-	54,729
Program Expenses	35,931	-	-	-	-	-	35,931
Special Events	632	186	-	-	10,986	23,544	35,348
Vehicle and Travel	6,372	37,877	14,334	394	2,468	1,525	62,970
Repairs and Maintenance	12,137	56,755	18,118	1	4,006	1,957	92,974
Training and Conferences	24,706	12,242	500	-	6,146	1,641	45,235
Database and Website	24,407	4,623	2,786	-	3,772	13,059	48,647
Supplies	19,674	20,896	9,443	611	4,401	1,665	56,690
Rent Expense	-	43,422	3,050	-	-	-	46,472
Food	17,631	2,944	405	-	2,163	717	23,860
Printing and Reproduction	4,132	210	-	-	-	-	4,342
Postage and Delivery	1,453	308	165	-	-	-	1,926
Resident Supplies	6,640	-	-	-	-	-	6,640
Miscellaneous	3,678	21,275	1,031	-	431	241	26,656
Total Expenses Before Depreciation	<u>1,287,146</u>	<u>1,684,924</u>	<u>487,790</u>	<u>31,961</u>	<u>472,491</u>	<u>412,816</u>	<u>4,377,128</u>
Depreciation	<u>146,656</u>	<u>62,665</u>	<u>20,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,640</u>
Total Expenses	<u>\$ 1,433,802</u>	<u>\$ 1,747,589</u>	<u>\$ 508,109</u>	<u>\$ 31,961</u>	<u>\$ 472,491</u>	<u>\$ 412,816</u>	<u>\$ 4,606,768</u>

See accompanying Notes to Financial Statements.



**HOPE GOSPEL MISSION, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,009,626	\$ 625,308
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	266,685	229,640
Noncash Loan Forgiveness	(450,000)	-
Change in Value of Holdings at Eau Claire Community Foundation	(2,867)	170
(Increase) Decrease in:		
Grants Receivable	10,867	14,133
Unconditional Promises to Give	170,584	29,566
Prepaid Expenses	(3,715)	(5,417)
Fund Held in Escrow	-	2,000
Inventory	(29,653)	(122,851)
Increase (Decrease) in:		
Accounts Payable	14,590	17,390
Accrued Liabilities	49,146	44,694
Funds Held for Others	5,090	(2,450)
Net Cash Provided by Operating Activities	1,040,353	832,183
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(499,810)	(343,020)
Net Cash Used by Investing Activities	(499,810)	(343,020)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	-	450,000
Payments on Long-Term Debt	(595,079)	(402,442)
Net Cash Provided (Used) by Financing Activities	(595,079)	47,558
 <b>CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	(54,536)	536,721
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,139,125	1,602,404
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 2,084,589	\$ 2,139,125
 <b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	\$ 109,231	\$ 90,542
 <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>		
Cash and Cash Equivalents	\$ 2,059,772	2,119,398
Restricted Cash	24,817	19,727
Total Cash, Cash Equivalents, and Restricted Cash	\$ 2,084,589	\$ 2,139,125
 <b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Debt Refinanced	\$ 600,546	\$ -

See accompanying Notes to Financial Statements.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 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 Hope Gospel Mission, Inc. 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 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 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 Hope Gospel Mission, Inc.'s programs.

**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.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Materials and Inventory**

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

Donated inventory, materials, and supplies are recorded at fair market value when they are made available for sale. 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 net on the face of the statement of activities.

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.

**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.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

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 and Wisconsin Statute. It has been classified as an organization that is not a private foundation under the Internal Revenue Code 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, 2021.

**Advertising**

Hope Gospel Mission, Inc. expenses advertising costs in the period the expense is incurred. Advertising expense was \$109,434 and \$101,657 during the period ending June 30, 2021 and 2020, 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.

**Subsequent Events**

In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through December 14, 2021, the date the financial statements were available to be issued.

**HOPE GOSPEL MISSION, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles**

In November 2016 FASB issued Accounting Standards (ASU) 2016-18, *Statement of Cash Flows* (Topic 230) Restricted Cash. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts show on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach for each year presented.

**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:

	2021	2020
Cash and Cash Equivalents	\$ 2,059,772	\$ 2,119,398
Grants and Accounts Receivable	-	10,867
Unconditional Promises to Give	8,075	98,504
Total Financial Assets Available to Meet General Expenditures Within One Year	\$ 2,067,847	\$ 2,228,769

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, 2021 and 2020:

	2021	2020
New Items Purchased for Resale	\$ 57,490	\$ 29,369
Donated Items	486,370	534,547
Unprocessed Items	139,061	89,352
Total	\$ 682,921	\$ 653,268

**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. As of June 30, 2020 promises to give were discounted to present value at 0.22 %.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 5 PROPERTY AND EQUIPMENT**

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

	2021	2020
Land	\$ 1,230,610	\$ 934,073
Building and Improvements	6,848,929	6,663,365
Vehicles	372,480	326,142
Equipment	436,712	410,407
Construction in Progress	-	54,933
Total	<u>8,888,731</u>	<u>8,388,920</u>
Less: Accumulated Depreciation	<u>(1,358,676)</u>	<u>(1,091,990)</u>
Total Property and Equipment	<u>\$ 7,530,055</u>	<u>\$ 7,296,930</u>

**NOTE 6 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.

The investment at Eau Claire Community Foundation is measured at fair value on a recurring basis using the percentage of the Hope Gospel Mission Endowment 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.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 7 LONG-TERM DEBT**

Long-term debt consists of the following at June 30, 2021 and 2020:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Mortgage Payable to Wells Fargo Bank due in monthly installments of \$5,203 including interest at 4.25% through August 15, 2024, secured by Bargain Center Real Estate. Refinanced in 2021.	\$ -	\$ 600,546
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.	583,299	-
Mortgage Payable to Northwestern Bank due in monthly principal installments of \$5,817 plus interest at 5% through December 2023, secured by the Building Hope and Learning Center Buildings.	813,630	841,462
Mortgage Payable to Northwestern Bank due January 2022 including interest at 5% secured by the Frank Street property.	250,000	800,000
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 due in monthly installments of \$2,228, including interest at 3% through December 2041 secured by the Bargain Center Building.	400,000	400,000
PPP Loan Payable to U.S. Small Business Administration due April 17, 2022, including interest at the rate of 1%. Loan was forgiven in 2021.	-	450,000
Total Long-Term Debt	2,046,929	3,092,008
Less: Current Maturities	(318,368)	(1,322,704)
Long-Term Debt, Net of Current Maturities	<u>\$ 1,728,561</u>	<u>\$ 1,769,304</u>

Subsequent to year-end the land contract for the Menomonie store was refinanced with Citizens Community Federal. The future maturities below reflect the terms of the refinanced loan.

**HOPE GOSPEL MISSION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM DEBT (CONTINUED)**

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.

Future scheduled maturities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 318,368
2023	78,954
2024	801,867
2025	50,958
2026	467,472
Thereafter	329,310
Total	<u>\$ 2,046,929</u>

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Subject to Time Restrictions:		
Unconditional Promises to Give	\$ 8,075	\$ 178,659
Total Net Assets with Donor Restrictions	<u>\$ 8,075</u>	<u>\$ 178,659</u>



**HOPE GOSPEL MISSION, INC.**  
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**NOTE 9 LEASING ARRANGEMENTS**

The Mission has a lease at 121 Eau Claire St, in Mondovi, Wisconsin for a Bargain Center for \$2,333 a month from September 2016 through March of 2026.

The future minimum lease payments required of the Mission for operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 29,472
2023	29,472
2024	29,472
2025	29,472
2026	22,104
Total	<u>\$ 139,992</u>

Total rental expense \$43,811 and \$43,422 for the years ending June 30, 2021 and 2020, respectively.

**NOTE 10 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 \$28,207 and \$19,030 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 11 VOUCHERS**

Included in contributions income and expense for the years ended June 30, 2021 and 2020, are \$55,021 and \$57,027, respectively, for vouchers given directly to needy individuals in the Western Wisconsin area for clothing and furniture at the Bargain Center.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

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.