

HOPE GOSPEL MISSION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019



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**HOPE GOSPEL MISSION, INC.
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YEARS ENDED JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019 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
November 10, 2020

HOPE GOSPEL MISSION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,119,398	\$ 1,580,227
Restricted Cash	19,727	22,177
Grants and Accounts Receivable	10,867	25,000
Unconditional Promises to Give	98,504	173,740
Inventory	653,268	530,417
Prepaid Expenses	36,716	31,299
Funds Held in Escrow	1,875	3,875
Total Current Assets	2,940,355	2,366,735
PROPERTY AND EQUIPMENT, NET	7,296,930	7,183,550
NONCURRENT UNCONDITIONAL PROMISES TO GIVE	80,155	34,485
FUNDS HELD AT FOUNDATION	11,893	12,063
Total Assets	\$ 10,329,333	\$ 9,596,833
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 1,322,704	\$ 1,219,432
Accounts Payable	78,850	61,460
Accrued Liabilities	253,718	209,024
Funds Held for Others	19,727	22,177
Total Current Liabilities	1,674,999	1,512,093
LONG-TERM DEBT, Less Current Maturities	1,769,304	1,825,018
Total Liabilities	3,444,303	3,337,111
NET ASSETS		
Without Donor Restrictions	6,706,371	6,016,497
With Donor Restrictions	178,659	243,225
Total Net Assets	6,885,030	6,259,722
Total Liabilities and Net Assets	\$ 10,329,333	\$ 9,596,833

See accompanying Notes to Financial Statements.

**HOPE GOSPEL MISSION, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT						
Program Service Revenue	\$ 21,750	\$ -	\$ 21,750	\$ 43,659	\$ -	\$ 43,659
Contributions	1,799,644	-	1,799,644	2,936,431	35,000	2,971,431
Bargain Center Sales	2,698,341	-	2,698,341	2,564,614	-	2,564,614
Building Hope Sales	553,050	-	553,050	599,566	-	599,566
Auto Sales	21,873	-	21,873	48,300	-	48,300
Investment Income	6,435	-	6,435	7,980	-	7,980
Gain (Loss) on Disposal of Assets	-	-	-	(6,078)	-	(6,078)
Miscellaneous Income	130,983	-	130,983	146,873	-	146,873
Expiration of Time and Use Restrictions	64,566	(64,566)	-	1,097,375	(1,097,375)	-
Total Revenues and Other Support	<u>5,296,642</u>	<u>(64,566)</u>	<u>5,232,076</u>	<u>7,438,720</u>	<u>(1,062,375)</u>	<u>6,376,345</u>
EXPENSES						
Program Services	1,433,802	-	1,433,802	1,249,572	-	1,249,572
Management and General	472,491	-	472,491	312,415	-	312,415
Fundraising	412,816	-	412,816	451,709	-	451,709
Bargain Center	1,747,589	-	1,747,589	1,670,712	-	1,670,712
Building Hope	508,109	-	508,109	525,196	-	525,196
Hope Gospel Mission Auto Sales	31,961	-	31,961	31,745	-	31,745
Total Expenses	<u>4,606,768</u>	<u>-</u>	<u>4,606,768</u>	<u>4,241,349</u>	<u>-</u>	<u>4,241,349</u>
CHANGES IN NET ASSETS	689,874	(64,566)	625,308	3,197,371	(1,062,375)	2,134,996
Net Assets - Beginning of Year	<u>6,016,497</u>	<u>243,225</u>	<u>6,259,722</u>	<u>2,819,126</u>	<u>1,305,600</u>	<u>4,124,726</u>
NET ASSETS - END OF YEAR	<u>\$ 6,706,371</u>	<u>\$ 178,659</u>	<u>\$ 6,885,030</u>	<u>\$ 6,016,497</u>	<u>\$ 243,225</u>	<u>\$ 6,259,722</u>

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	2020						
	Program						
	Program Services	Bargain Center	Building Hope	Auto Sales	Management and General	Fundraising	Totals
Personnel	\$ 808,512	\$ 962,817	\$ 219,039	\$ 13,254	\$ 388,712	\$ 193,364	\$ 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	328,786
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 Vouchers	4,738	75,288	16,802	-	4,752	77	101,657
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	92,973
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	48,648
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	26,657
Total Expenses Before Depreciation	1,287,146	1,684,924	487,790	31,961	472,491	412,816	4,377,128
Depreciation	146,656	62,665	20,319	-	-	-	229,640
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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	2019						
	Program				Management and General	Fundraising	Totals
	Program Services	Bargain Center	Building Hope	Auto Sales			
Personnel	\$ 613,936	\$ 921,969	\$ 231,520	\$ 13,762	\$ 233,532	\$ 221,837	\$ 2,236,556
Capital Campaign Expenses	-	-	-	-	-	41,678	41,678
Opening Expenses	228,050	-	-	-	-	-	228,050
Insurance	63,319	69,314	25,965	3,911	12,917	13,013	188,439
Utilities	58,530	170,502	77,387	2,348	3,252	5,869	317,888
Interest	17,230	30,554	25,435	3,164	112	56	76,551
Cost of Goods Sold	-	13,192	71,974	3,918	-	-	89,084
Advertising and Promotional Vouchers	1,151	82,413	17,018	-	91	196	100,869
Professional Fees	1,951	-	-	-	27,691	-	29,642
Bank and Credit Card Charges	-	44,543	14,184	-	111	4,580	63,418
Donor Cultivation Expense	4,922	-	-	-	468	71,701	77,091
Store Supplies	-	41,713	6,709	-	-	-	48,422
Program Expenses	35,536	-	-	1,990	9,935	497	47,958
Special Events	941	304	-	-	6,470	21,760	29,475
Vehicle and Travel	8,760	28,775	8,656	697	1,923	1,522	50,333
Repairs and Maintenance	14,097	53,456	8,399	582	2,357	787	79,678
Training and Conferences	23,505	10,480	1,320	-	3,723	7,769	46,797
Database and Website	13,601	6,791	2,421	-	1,673	10,447	34,933
Donor Acquisition Expense	-	-	-	-	-	43,176	43,176
Supplies	12,214	8,381	1,210	612	2,944	1,771	27,132
Rent Expense	57,473	53,599	1,000	-	-	-	112,072
Food	11,517	3,282	859	23	1,619	556	17,856
Printing and Reproduction	312	1,571	521	-	233	498	3,135
Postage and Delivery	393	308	155	103	195	814	1,968
Resident Supplies	3,779	-	-	-	-	69	3,848
Computer Equipment	8,265	-	-	-	1,194	640	10,099
Property Taxes	12,815	-	-	-	-	-	12,815
Miscellaneous	-	3,544	5,682	276	1,975	1,220	12,697
Total Expenses Before Depreciation	<u>1,192,297</u>	<u>1,612,398</u>	<u>500,415</u>	<u>31,386</u>	<u>312,415</u>	<u>450,456</u>	<u>4,099,367</u>
Depreciation	<u>57,275</u>	<u>58,314</u>	<u>24,781</u>	<u>359</u>	<u>-</u>	<u>1,253</u>	<u>141,982</u>
Total Expenses	<u>\$ 1,249,572</u>	<u>\$ 1,670,712</u>	<u>\$ 525,196</u>	<u>\$ 31,745</u>	<u>\$ 312,415</u>	<u>\$ 451,709</u>	<u>\$ 4,241,349</u>

See accompanying Notes to Financial Statements.

**HOPE GOSPEL MISSION, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 625,308	\$ 2,134,996
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	229,640	141,982
(Gain) Loss on Disposal of Fixed Assets	-	6,078
Change in Value of Holdings at Eau Claire Community Foundation	170	(472)
(Increase) Decrease in:		
Grants Receivable	14,133	775,000
Unconditional Promises to Give	29,566	257,111
Prepaid Expenses	(5,417)	(7,141)
Fund Held in Escrow	2,000	10,000
Inventory	(122,851)	(70,555)
Increase (Decrease) in:		
Accounts Payable	17,390	(263,420)
Accrued Liabilities	44,694	11,949
Funds Held for Others	(2,450)	(9,071)
Net Cash Provided by Operating Activities	832,183	2,986,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(343,020)	(931,648)
Change in Restricted Cash	2,450	9,071
Net Cash Used by Investing Activities	(340,570)	(922,577)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	450,000	-
Payments on Long-Term Debt	(402,442)	(2,007,964)
Net Cash Provided (Used) by Financing Activities	47,558	(2,007,964)
NET INCREASE IN CASH	539,171	55,916
Cash and Cash Equivalents - Beginning of Year	1,580,227	1,524,311
CASH AND CASH EQUIVALENTS - END OF YEAR	2,119,398	1,580,227
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 90,542	\$ 76,551
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Debt Refinanced	\$ -	\$ 874,311
Property Acquired with Long-Term Debt Proceeds	\$ -	\$ 3,507,889

See accompanying Notes to Financial Statements.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 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.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 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, 2020.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 \$101,657 and \$101,031 during the period ending June 30, 2020 and 2019, 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.

Adoption of Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Mission decided to early implement ASU 2014-09 for the year ended June 30, 2020.

Our financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Mission's reported historical revenue.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08 beginning July 1, 2018. The new guidance does not require prior period results to be restated. The implementation of this standard did not significantly impact the Mission's financial statements.

Subsequent Events

In preparing these financial statements, the Mission has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date the financial statements were available to be issued.

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

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>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,119,398	\$ 1,580,227
Grants and Accounts Receivable	10,867	25,000
Unconditional Promises to Give	98,504	173,740
Less: Purpose Restricted Net Assets	<u>-</u>	<u>(208,740)</u>
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 2,228,769</u>	<u>\$ 1,778,967</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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
New Items Purchased for Resale	\$ 29,369	\$ 54,596
Donated Items	534,547	413,113
Unprocessed Items	<u>89,352</u>	<u>62,708</u>
Total	<u>\$ 653,268</u>	<u>\$ 530,417</u>

HOPE GOSPEL MISSION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Promises to give are for building and renovating the women's building and women and children's building. Estimated collection of promises to give is as follows:

Within One Year	\$ 98,504
In One to Five Years	80,155
Total	<u>\$ 178,659</u>

As of June 30, 2020 and 2019 promises to give were discounted to present value at 0.22% and 2.63 %, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 934,073	\$ 909,047
Building and Improvements	6,663,365	5,654,649
Vehicles	326,142	242,535
Equipment	410,407	318,001
Construction in Progress	54,933	921,668
Total	<u>8,388,920</u>	<u>8,045,900</u>
Less: Accumulated Depreciation	<u>(1,091,990)</u>	<u>(862,350)</u>
Total Property and Equipment	<u>\$ 7,296,930</u>	<u>\$ 7,183,550</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, 2020 AND 2019

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2020 and 2019:

<u>Description</u>	<u>2020</u>	<u>2019</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.	\$ 600,546	\$ 627,536
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.	841,462	861,312
Mortgage Payable to Northwestern Bank due December 28, 2020 including interest at 5% secured by the Frank Street property.	800,000	950,000
Land Contract Payable due in monthly interest only installments of \$1,333 through December 2021, when the loan is due in full, secured by the Menomonie Bargain Center Building.	400,000	400,000
Construction Loan Payable to Wells Fargo Bank due December 6, 2019, including interest at the prime rate plus .5% secured by the House of Hope.	-	205,602
PPP Loan Payable to U.S. Small Business Administration due April 17, 2022, including interest at the rate of 1%	<u>450,000</u>	<u>-</u>
Total Long-Term Debt	3,092,008	3,044,450
Less: Current Maturities	<u>(1,322,704)</u>	<u>(1,219,432)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 1,769,304</u>	<u>\$ 1,825,018</u>

HOPE GOSPEL MISSION, INC.
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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.

Future scheduled maturities based on refinancing of long-term debt subsequent to year-end are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,322,704
2022	294,556
2023	241,553
2024	795,414
2025	437,781
Thereafter	-
Total	<u>\$ 3,092,008</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Chaplain Services	\$ -	\$ 10,000
Subject to Time Restrictions:		
Grant Receivable	-	25,000
Unconditional Promises to Give	178,659	208,225
Total	<u>178,659</u>	<u>233,225</u>
Total Net Assets with Donor Restrictions	<u>\$ 178,659</u>	<u>\$ 243,225</u>

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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>
2021	\$ 29,472
2022	29,472
2023	29,472
2024	29,472
2025	29,472
Thereafter	22,104
Total	<u>\$ 169,464</u>

Total rental expense \$43,422 and \$111,072 for the years ending June 30, 2020 and 2019, 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 \$19,030 and \$21,250 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 VOUCHERS

Included in contributions income and expense for the years ended June 30, 2020 and 2019, are \$57,027 and \$67,707, respectively, for vouchers given directly to needy individuals in the Western Wisconsin area for clothing and furniture at the Bargain Center.

NOTE 12 SUBSEQUENT EVENTS

In July 2020, the Mission completed and opened additional housing for women. Construction in progress for this shelter as of June 30, 2020, was approximately \$30,000.