

**Hope Community, Inc.**  
Minneapolis, Minnesota

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Consolidated Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2021 and 2020



**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Hope Community, Inc.  
Minneapolis, Minnesota

### **Opinion**

We have audited the accompanying financial statements of Hope Community, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Community, Inc. as of December 31, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Community, 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 Community, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Community, 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 Community, 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.

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position as of December 31, 2021, the Consolidating Statement of Activities for the year then ended and the Schedules of Computation of Surplus Cash, Distribution and Residual Receipts as of December 31, 2021 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Carpenter, Ford & Associates, Ltd.  
Certified Public Accountants

Minneapolis, Minnesota  
June 1, 2022

HOPE COMMUNITY, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash	\$ 1,419,801	\$ 1,437,805
Grants and Contributions Receivable	695,000	335,250
Accounts Receivable-Net	118,366	61,934
Prepaid Expenses	37,554	26,328
Total Current Assets	2,270,721	1,861,317
Investments	756,626	634,316
Investment in Limited Partnerships	264,936	264,936
Due from Limited Partnerships	733,064	733,064
Deferred Developer Fee	4,562	21,025
Accrued Interest Receivable	323,263	297,033
Property and Equipment - Net	9,330,496	9,948,269
Other Assets	70,558	64,963
TOTAL ASSETS	\$ 13,754,226	\$ 13,824,923
<u>LIABILITIES AND NET ASSETS AND EQUITY</u>		
Current Liabilities:		
Notes Payable	\$ 32,000	\$ 34,243
Accounts Payable	270,187	285,504
Accrued Salaries and Vacation	106,040	77,472
Tenants' Deposits	137,046	112,451
Total Current Liabilities	545,273	509,670
Accrued Interest	910,147	793,767
Notes Payable	6,205,432	6,120,504
Total Liabilities	7,660,852	7,423,941
Net Assets and Equity:		
Without Donor Restrictions	4,741,708	5,770,982
With Donor Restrictions	1,351,666	630,000
Total Net Assets and Equity	6,093,374	6,400,982
TOTAL LIABILITIES AND NET ASSETS AND EQUITY	\$ 13,754,226	\$ 13,824,923

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these statements.

HOPE COMMUNITY, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	\$ 1,164,371	\$ 1,365,866	\$ 2,530,237	\$ 1,560,120	\$ 508,000	\$ 2,068,120
Grants from Governmental Agencies	-	-	-	258,900	-	258,900
Rental Income	926,733	-	926,733	894,941	-	894,941
Program Fees	40,307	-	40,307	12,676	-	12,676
Investment Income	149,183	-	149,183	179,285	-	179,285
Other Income	20,971	-	20,971	29,662	-	29,662
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	594,200	(594,200)	-	335,000	(335,000)	-
Satisfaction of Time Restrictions	50,000	(50,000)	-	190,000	(190,000)	-
Total Support and Revenue	<u>2,945,765</u>	<u>721,666</u>	<u>3,667,431</u>	<u>3,460,584</u>	<u>(17,000)</u>	<u>3,443,584</u>
Expense:						
Program Services:						
Community Engagement	1,039,970	-	1,039,970	944,354	-	944,354
Real Estate Development	291,632	-	291,632	255,231	-	255,231
Housing and Asset Management	1,963,142	-	1,963,142	1,730,989	-	1,730,989
Total Program Services	<u>3,294,744</u>	<u>-</u>	<u>3,294,744</u>	<u>2,930,574</u>	<u>-</u>	<u>2,930,574</u>
Support Services:						
Management and General Fundraising	462,094	-	462,094	457,832	-	457,832
Total Support Services	<u>218,201</u>	<u>-</u>	<u>218,201</u>	<u>203,904</u>	<u>-</u>	<u>203,904</u>
Total Expense	<u>3,975,039</u>	<u>-</u>	<u>3,975,039</u>	<u>3,592,310</u>	<u>-</u>	<u>3,592,310</u>
Change in Net Assets	(1,029,274)	721,666	(307,608)	(131,726)	(17,000)	(148,726)
Net Assets and Equity - Beginning of Year	<u>5,770,982</u>	<u>630,000</u>	<u>6,400,982</u>	<u>5,902,708</u>	<u>647,000</u>	<u>6,549,708</u>
Net Assets and Equity - End of Year	<u>\$ 4,741,708</u>	<u>\$ 1,351,666</u>	<u>\$ 6,093,374</u>	<u>\$ 5,770,982</u>	<u>\$ 630,000</u>	<u>\$ 6,400,982</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

HOPE COMMUNITY, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021						2020	
	Program Services			Support Services			Total	Total
	Community Engagement	Real Estate Development	Housing & Asset Management	Program Services	Management & General	Fund-raising	Support Services	All Services
Salaries	\$ 571,063	\$ 165,204	\$ 42,157	\$ 778,424	\$ 243,644	\$ 141,524	\$ 385,168	\$ 1,163,592
Employee Benefits	52,914	14,564	2,378	69,856	23,327	12,953	36,280	106,136
Payroll Taxes	46,647	12,838	3,507	62,992	19,359	11,418	30,777	93,769
Total Personnel Costs	670,624	192,606	48,042	911,272	286,330	165,895	452,225	1,363,497
Operating and Maintenance	10,955	20,922	529,008	560,885	1,986	1,516	3,502	564,387
Contracted Services	122,492	46,092	-	168,584	80,185	24,634	104,819	273,403
Professional Fees	23,052	6,596	182,235	211,883	3,213	3,191	6,404	218,287
Interest	-	-	202,214	202,214	-	-	-	202,214
Utilities	-	-	173,574	173,574	-	-	-	173,574
Program Services	83,912	242	50,519	134,673	39	42	81	134,754
Real Estate Taxes	-	-	117,797	117,797	-	-	-	117,797
Insurance	2,425	808	79,941	83,174	5,764	1,630	7,394	90,568
Bad Debt	-	-	-	-	60,279	-	60,279	60,279
Minor Equipment	19,389	3,550	5,697	28,636	5,996	2,069	8,065	36,701
Occupancy	26,553	2,219	-	28,772	1,013	1,073	2,086	30,858
Telephone	17,370	2,302	1,239	20,911	1,526	1,713	3,239	24,150
Training and Development	15,379	2,579	-	17,958	4,556	869	5,425	23,383
Printing and Publicity	3,003	984	-	3,987	146	3,295	3,441	7,428
Supplies	1,612	313	496	2,421	3,388	195	3,583	6,004
Licenses and Fees	108	56	91	255	87	5,569	5,656	5,911
Postage and Delivery	305	97	-	402	580	556	1,136	1,538
Staff Travel and Mileage	46	39	-	85	1,260	-	1,260	1,345
Miscellaneous	442	122	457	1,021	219	98	317	1,338
Depreciation and Amortization	42,303	12,105	571,832	626,240	5,527	5,856	11,383	637,623
Total Expense	\$ 1,039,970	\$ 291,632	\$ 1,963,142	\$ 3,294,744	\$ 462,094	\$ 218,201	\$ 680,295	\$ 3,975,039
								\$ 3,592,310

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

HOPE COMMUNITY, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Support Services			Total All Services
	Community Engagement	Real Estate Development	Housing & Asset Management	Program Services	Management & General	Fund- raising	Support Services	
Salaries	\$ 526,285	\$ 152,250	\$ 38,851	\$ 717,386	\$ 224,539	\$ 130,427	\$ 354,966	\$ 1,072,352
Employee Benefits	57,265	15,761	2,573	75,599	25,245	14,018	39,263	114,862
Payroll Taxes	45,409	12,497	3,414	61,320	18,845	11,115	29,960	91,280
Total Personnel Costs	628,959	180,508	44,838	854,305	268,629	155,560	424,189	1,278,494
Operating and Maintenance	7,384	14,103	382,945	404,432	1,339	1,022	2,361	406,793
Contracted Services	80,753	30,386	-	111,139	52,862	16,240	69,102	180,241
Professional Fees	18,868	5,399	149,161	173,428	2,630	2,612	5,242	178,670
Interest	-	-	208,395	208,395	-	-	-	208,395
Utilities	-	-	144,543	144,543	-	-	-	144,543
Program Services	82,164	237	49,467	131,868	38	41	79	131,947
Real Estate Taxes	-	-	108,844	108,844	-	-	-	108,844
Insurance	1,962	654	64,680	67,296	4,664	1,319	5,983	73,279
Bad Debt	-	-	-	-	102,972	-	102,972	102,972
Minor Equipment	10,564	1,934	3,104	15,602	3,267	1,127	4,394	19,996
Occupancy	32,254	2,696	-	34,950	1,231	1,304	2,535	37,485
Telephone	20,515	2,719	1,463	24,697	1,802	2,023	3,825	28,522
Training and Development	6,070	1,018	-	7,088	1,798	343	2,141	9,229
Printing and Publicity	4,903	1,607	-	6,510	239	5,379	5,618	12,128
Supplies	3,806	739	1,170	5,715	8,000	460	8,460	14,175
Licenses and Fees	181	94	154	429	147	9,376	9,523	9,952
Postage and Delivery	260	83	-	343	494	474	968	1,311
Staff Travel and Mileage	15	13	-	28	424	-	424	452
Miscellaneous	3,642	1,007	3,765	8,414	1,802	803	2,605	11,019
Depreciation and Amortization	42,054	12,034	568,460	622,548	5,494	5,821	11,315	633,863
Total Expense	\$ 944,354	\$ 255,231	\$ 1,730,989	\$ 2,930,574	\$ 457,832	\$ 203,904	\$ 661,736	\$ 3,592,310

The accompanying Notes to Consolidated Financial Statements  
are an integral part of this statement.



HOPE COMMUNITY, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Increase (Decrease) in Cash</u>	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ (307,608)	\$ (148,726)
Total Adjustments	<u>315,296</u>	<u>663,733</u>
Net Cash Provided (Used) by Operating Activities	7,688	515,007
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(14,213)	(53,656)
Purchases of Investments	<u>(5,165)</u>	<u>(4,867)</u>
Net Cash (Used) by Investing Activities	(19,378)	(58,523)
<b>Cash Flows from Financing Activities:</b>		
Investment In Endowments	-	(8,000)
Principal Payments on Notes Payable	<u>(6,314)</u>	<u>(38,604)</u>
Net Cash (Used) by Financing Activities	(6,314)	(46,604)
Net Increase (Decrease) in Cash	(18,004)	409,880
Cash - Beginning of Year	<u>1,437,805</u>	<u>1,027,925</u>
Cash - End of Year	<u>\$ 1,419,801</u>	<u>\$ 1,437,805</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
<b>Cash Paid for:</b>		
Interest	<u>\$ 2,472</u>	<u>\$ 3,448</u>

The accompanying Notes to Consolidated Financial Statements  
are an integral part of these statements.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of Hope Community, Inc. (Hope) include the accounts of Dundry House, LLC, Hope Block Stabilization Phase I, LLC and Franklin Portland Gateway Phase I, LP. All material inter-organizational transactions have been eliminated.

Organization

**Mission** – Hope creates connections that strengthen the power of community members and communities. Hope cultivates community leaders, builds community capacity, cares for the housing and community spaces it develops, and pursues equity and diversity in all it does.

Core Values

*Respect.* Hope believes in people. Hope relates to youth and adults as people, not clients.

*Connection.* Hope builds relationships, the cornerstone of all its work.

*Listening.* Hope listens to all who engage with it. The realities Hope hears drives its planning and activities.

*Co-creation.* Hope encourages people to co-create projects, programs, places, opportunities with it.

*Equity.* Hope pursues racial and economic equity in all its work to achieve equitable power, access, opportunities, treatment, impacts and outcomes for all.

*Stewardship.* Hope is a responsible and accountable steward of the natural, human, material and community resources invested in its work.

Operating Principles

Hope believes that community engagement and real estate development are integral components of community development.

Hope develops both formal and informal partnerships to advance its mission.

Hope designs its work to strengthen multi-cultural and economically diverse community involvement and leadership, to respect different cultural perspectives, and to challenge racism.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Organization (continued)

Hope reflects its strong endorsement of the leadership and power of people of color in its board and staff composition and advancement policies and practices.

Hope operates organically, intentionally, and flexibly and strive to be accountable, transparent, and authentic in all it does.

Hope began in 1977 as a shelter/hospitality house for homeless women and children. Over the years Hope has evolved as the community has; responding to challenges and opportunities, always prioritizing work according to what it hears from the community. In the late 1980s and early 1990s, the neighborhood surrounding Hope was devastated by disinvestment that resulted in crime and violence. Hope's response to this in the mid-90's was to use a different approach. Hope changed its mission, closed the shelter, and began the long-term path of taking a major role in revitalizing the neighborhood without displacing diverse low-income residents. Hope has become a respected community development organization in the Phillips Community, one of the most economically challenged and diverse neighborhoods in Minneapolis with more 22,000 residents, 80% of whom are people of color. In 2021, Hope's work was accomplished by a 15-member Board of Directors (plus 2 Ex Officio members), a staff of 17 and with the help of more than 150 volunteers contributing to Hope's mission. As important as Hope's physical development is to the neighborhood and community members, its investments and innovative approach go beyond the bricks in mortar. In 2015, Hope was awarded the Bush Foundation Innovation Prize for its extensive and deep work in this diverse community. Hope put these funds to good work in the following 2 years. When they were selected as a site for a new Best Buy Teen Technology Center, Hope used the award to go towards building a state-of-the art technology center, as well as expanded on programming and updating some of the community spaces. Hope has continued practicing one of the Core Values of listening, involving over 4,000 adults and youth to date in conversations about their challenges and hopes for themselves and their community. With a strong, diverse staff, Hope has developed community opportunities for youth and adults that involve about 1,500 people a year (not only Hope's tenants). Community leadership development and community change with community voice at the center is central. Hope utilizes its broad relationships with other organizations, institutions, and public entities to optimize the outcomes for the community. Hope is widely recognized for its work, community building programs and events, its organizing campaigns, leader development trainings, and its strong portfolio of programs for youth ages 6-18.

Hope is building upon it's organizing through art completing 6 murals in 2021. 25 artist/organizers created public art while gathering for healing and movement building. Transformational Creative Strategies Training (TRCSTR) is a program intended to develop participants as Hybrid Practitioners: visionary creatives with skills to use a variety of creative tools, across art mediums, to shift narratives, embody healing and truth-telling; build connections, share visions, and support decolonizing and collective liberation. Our sessions will be a space for deep collaborative learning

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Organization (continued)

There are many stories that communicate how individuals and families benefit from Hope's work in the community. These are a few examples:

- Instead of a few garden plots, Hope developed a multifaceted "Healthy Foods, Strong Community" program focused on food, land, and community. This program involves growing numbers of people at a scale that builds relationships, impacts health and keeps expanding. More than 3000 lbs. of food were produced in 2021 from our 7,500 square feet of urban agriculture.
- The success of Hope's youth literacy program lies not in replicating a classroom environment; instead, Hope's core value of community is at the center of the activities. Hope has been working with the Minnesota Literacy Council to capture social and emotional learning indicators, something that others are challenged by and that studies show are critical to learning.
- Hope's youth development programs are experiential, with activities that engage youth around their interests and include mural making, website building, computer coding, exploring technology, business development, overnight camp, and preparing for summer jobs. Leadership opportunities exist within all programs, and youth ages 6-18 are supported to embrace their own power, build their leadership skills and take on roles where they can make a difference in their community.
- We had 19 community leaders complete our community ownership cohort. This is a model that prepares community members to be owner occupied landlords of duplexes. The courses take them through financial planning, small business topics, preparing to be a landlord, and more.

Community Engagement –Hope has developed a solid body of work to improve community health, public safety and business vitality along Franklin Avenue. Work in 2021 includes completing our 12<sup>th</sup> growing season in our gardens, our youth making national news for a groundbreaking video that reflected on the murder of George Floyd, completion of 5 community murals, our 2<sup>nd</sup> year completing Transformational Creative Strategies Training, multiple numbers of our youth being placed in paid internships, successfully completing the Parks and Power artist residency program and launching sanctuary trainings with staff and board.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Organization (continued)

Real Estate Development – Hope’s work with real estate and public space features an innovative, entrepreneurial approach to community development, and Hope has developed a critical mass of housing, indoor and outdoor community space (including Hope’s offices and community center), and space for two neighborhood businesses that are changing the face of a formerly devastated neighborhood. South Quarter, a major development (in partnership with Aeon) reflects 20+ years of persistent vision and strategy to develop a critical mass of community-focused housing on all four corners of the Portland and Franklin intersection. In total, Hope has developed 267 units of housing (70% affordable, 30% market rate), 25,000 square feet of retail, office and community space, and 7,500 square feet of urban agriculture space in the blocks around that intersection. In 2021, Hope successfully raised \$4 million for the creation/preservation of affordable home ownership opportunities through multiple development projects in partnership with both the City of Lakes Community Land Trust as well as Frogtown Neighborhood Association and Model Cities of St. Paul. These projects work in conjunction with Hope’s Community Ownership Program which launched in 2020 and supports aspiring owner-occupants of small multi-family buildings. Over 20 graduates have completed the program as of the end of 2021.

Housing and Asset Management – Stable, healthy and affordable housing in a supportive community environment is an effective way for individuals and families to meet the challenges of poverty and isolation in an urban environment. Hope’s relationships with residents are rooted in respect and mutual accountability. Hope’s properties are managed by a professional property management company. As a property owner committed to its buildings for the long-term, Hope is responsible for the traditional duties of a real estate asset manager – financial oversight, selection of a property manager, compliance with regulatory agreements, capital improvement planning, etc. However, Hope’s approach to asset management involves a much broader understanding of how to maintain its real estate as a long-term asset. Key to that understanding is relationship – maintaining relationships with residents, funders, government partners, neighbors, community members, and many others. Hope is involved with groups such as the local business association, neighborhood association and city planning committees. Considerable effort is spent to connect the distinct functions of Hope’s community engagement and property management work.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to Hope, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. Property is reported as net assets without 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. Hope reports contributions restricted by donors as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts Receivable and Doubtful Accounts

Hope extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and Hope does not charge interest on accounts receivable balances. Hope reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. Hope provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. Allowance for doubtful accounts was \$65,000 and \$100,007 for the years ended December 31, 2021 and 2020, respectively.

Property and Equipment

All expenditures for property and equipment in excess of \$500 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Investments

Hope carries its investments at market value.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

Hope recognizes grants and contributions when cash, securities or other assets, with an unconditional promise to give is received. Conditional promises to give, that is, those with a measureable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of Hope's revenue is derived from government grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Hope received a \$246,400 PPP loan in the year ended December 31, 2020 and recorded it as a conditional grant per ASC 958-605. They met the condition of the grant and included it in Grants from Governmental Agencies in the year ending December 31, 2020.

Rental Income is recognized over the period of the tenant leases while Program Fees are recognized as revenue when the performance obligation of providing services are met.

Promises-To-Give (Grants and Contributions Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated on a systematic basis as determined by management.

Income Tax

Hope has a tax-exempt status under Section 501(c)(3), of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The policy of Hope is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. Hope continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. Hope 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. In compliance with its exempt status, Hope annually files Return of Organization Exempt From Income Tax (Form 990).

Subsequent Events

Hope has evaluated the effect that subsequent events would have on the consolidated financial statements through June 1, 2022, which is the date consolidated financial statements were available to be issued.



HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Uncertainties and Contingencies

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary closing of Organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. Reasonable estimates cannot be made at this time regarding the impact on future operating results.

3. Financial Instruments

Significant Concentrations of Credit Risk

Hope provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payers, substantially all of which are local. In addition, grants and contributions receivable are from local governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2021 and 2020, Hope held funds in excess of federally insured limits.

4. Investments

Hope held the following investments as of:

	December 31,			
	2021		2020	
	Market	Cost	Market	Cost
Mutual Funds	\$ 750,056	\$ 239,913	\$ 628,702	\$ 234,707
Cash Surrender Value of Life Insurance Policies	6,570	2,181	5,614	2,181
	<u>\$ 756,626</u>	<u>\$ 242,094</u>	<u>\$ 634,316</u>	<u>\$ 236,888</u>

Investment income was as follows as of:

	December 31,	
	2021	2020
Interest and Dividend Income	\$ 5,808	\$ 14,215
Unrealized Gain	117,145	138,738
Deferred Interest Income from Notes Receivable	26,230	26,332
	<u>\$ 149,183</u>	<u>\$ 179,285</u>



HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

5. Fair Value

Hope adopted Financial Accounting Standards Board Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosures (“ASC 820”). In accordance with ASC 820, “fair value” is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

The following is a summary of the inputs used to determine the fair value of the investments at December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 750,056	\$ -	\$ -	\$ 750,056
Life Insurance Policies	6,570	-	-	6,570
Investment in Ltd. Partnerships	-	-	264,936	264,936
Due from Limited Partnerships	-	733,064	-	733,064
Total	\$ 756,626	\$ 733,064	\$ 264,936	\$ 1,754,626
	2020			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 628,702	\$ -	\$ -	\$ 628,702
Life Insurance Policies	5,614	-	-	5,614
Investment in Ltd. Partnerships	-	-	264,936	264,936
Due from Limited Partnerships	-	733,064	-	733,064
Total	\$ 634,316	\$ 733,064	\$ 264,936	\$ 1,632,316

6. Grants and Contributions Receivable

The balance of grants and contributions receivable as of December 31, 2021 and 2020 are due in the following year.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

7. Property and Equipment

Hope owned the following assets as of:	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2021</u>	<u>2020</u>	
Land	\$ 1,125,807	\$ 1,125,807	
Buildings and Improvements	15,952,717	15,952,717	10-40 years
Furniture and Equipment	<u>1,054,632</u>	<u>1,040,418</u>	3-10 years
	18,133,156	18,118,942	
Less Accumulated Depreciation	<u>8,802,660</u>	<u>8,170,673</u>	
	<u>\$ 9,330,496</u>	<u>\$ 9,948,269</u>	

Depreciation and amortization expense of \$637,623 and \$633,863 was recorded for the years ended December 31, 2021 and 2020, respectively.

8. Notes Payable

From 1994 through 2021, Hope became indebted for renovation and development projects. Included in the indebtedness are notes payable which are payable at the end of their term. The notes were discounted to reflect the market interest rate and present value of the notes. The following schedule reflects the current value of the outstanding notes as of:

	<u>December 31,</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Face Value</u>	<u>Current Value</u>	<u>Face Value</u>	<u>Current Value</u>
Variable tax exempt note payable to Western Bank. Initial rate fixed 4.6% for the first five (5) years of the loan, then the loan will reprice every five (5) years at rate not lower than 4.6% nor higher than 7.5%. Secured by property at 2107 Portland, 616 and 618 E. 22nd Street, and 2013 Oakland Avenue South, Minneapolis. Matures November 14, 2025.	\$ 1,927,300	\$ 53,658	\$ 1,927,300	\$ 59,972
1% note payable to Minneapolis Community Development Agency. Principal and accrued interest due in full March 2024. Secured by mortgage, security agreement, and fixture financing agreement.	495,000	495,000	495,000	514,846

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

8. Notes Payable (Continued)

	December 31,			
	2021		2020	
	Face Value	Current Value	Face Value	Current Value
1% note payable to Minneapolis Community Development Agency. Principal and accrued interest due in full February 2027. Secured by properties at 2023, 2101, and 2109 Portland Avenue South, and 2026 Oakland Avenue South, Minneapolis.	192,435	168,962	192,435	156,447
1% note payable to Minneapolis Community Development Agency. Principal and accrued interest due in full December 2028. Secured by property and rents at 2024 Oakland Avenue South, Minneapolis.	168,900	128,823	168,900	119,281
1% note payable to Community Reinvestment Fund. Principal and accrued interest due in full March 2024. Secured by mortgage, security agreement, and fixture financing agreement.	100,000	100,000	100,000	101,634
0% note payable to Minnesota Housing Finance Agency. Will be forgiven March 2024, if all provisions set for this loan agreement are followed. Secured by properties at 2012, 2023, 2101, and 2109 Portland Avenue South, and 2026 Oakland Avenue South, Minneapolis.	130,000	112,823	130,000	104,469
0% note payable to Family Housing Fund. Principal balance due in full July 2026. Secured by mortgage.	149,000	104,678	149,000	96,924
0% note payable to Minnesota Housing Finance Agency. Principal balance due in full July 2031. Secured by properties at 2022 and 2109 Portland Avenue South, Minneapolis. 139,500	66,868	139,500	61,915	
1% note payable to the City of Minneapolis. Principal and accrued interest due in full July 2037.	332,000	124,415	332,000	116,821

**HOPE COMMUNITY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

8. Notes Payable (continued)

	December 31,			
	2021		2020	
	Face Value	Current Value	Face Value	Current Value
1% note payable to the City of Minneapolis. Principal and accrued interest due in full October 2039. Secured by mortgage, security agreement and fixture financing agreement.	646,000	199,881	646,000	197,529
6.5% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven October 2039 if all provisions set for this loan agreement are followed. Secured by mortgage security agreements for 2022, 2023, 2109 and 2115 Portland Avenue South, 2024 and 2026 Oakland Avenue South, Minneapolis.	539,838	175,559	539,838	164,844
6.5% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven October 2039 if all provisions set for this loan agreement are followed. Secured by mortgage security agreements for 2022, 2023, 2109 and 2115 Portland Avenue South, 2024 and 2026 Oakland Avenue South, Minneapolis.	190,000	61,789	190,000	58,019
1% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven December 2040 if all provisions set for this loan agreement are followed. Secured by mortgage security agreements for 1829-5 <sup>th</sup> Avenue, Minneapolis.	1,082,805	325,014	1,082,805	305,177
0% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven January 2023 if all provisions set for this loan agreement are followed. Secured by mortgage security agreements for 2012 Portland Avenue South, Minneapolis.	45,100	44,872	45,100	41,384

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

8. Notes Payable (continued)

	December 31,			
	2021		2020	
	Face Value	Current Value	Face Value	Current Value
1% 30-year note payable to City of Minneapolis. Principal and accrued interest due in full December 2048. Secured by mortgage security agreements for 1829 – 5 <sup>th</sup> , 2012, 2101 Portland Avenue and 616-618 E. 22 <sup>nd</sup> Street, Minneapolis.	408,679	106,244	408,679	101,073
1% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven December 2048 if all provisions set for this loan agreement are followed. Secured by mortgage security agreements for 1829- 5 <sup>th</sup> , 2012, 2101 Portland Avenues and 616-618 E. 22 <sup>nd</sup> Street, Minneapolis.	1,124,000	292,204	1,124,000	277,982
\$200,000 variable rate line-of-credit with American National Bank. Interest is payable at the bank's prime rate of 5.75%. The credit facility expires November 29, 2022 Secured by cash accounts.	200,000	-	200,000	-
1% note payable to Minnesota Housing Finance Agency. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	2,019,597	2,019,597	2,019,597	2,019,597
1% note payable to City of Minneapolis Community Planning and Economic Development Department (CPED). Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	400,000	400,000	400,000	400,000

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

8. Notes Payable (continued)

	December 31,			
	2021		2020	
	Face Value	Current Value	Face Value	Current Value
1% note payable to CPED. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	100,000	100,000	100,000	100,000
1% note payable to Family Housing Fund. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 612 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	290,000	290,000	290,000	290,000
1% note payable to CPED. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	500,000	500,000	500,000	500,000
5.34% note payable to CPED. Principal and accrued interest due in full December 2032. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	55,000	55,000	55,000	55,000
5.34% note payable to CPED. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> Street, Minneapolis.	205,000	205,000	205,000	205,000

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

8. Notes Payable (continued)

	December 31,			
	2021		2020	
	Face Value	Current Value	Face Value	Current Value
1% note payable to Hennepin County Housing and Redevelopment Authority. Principal and accrued interest due in full January 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 <sup>nd</sup> St., Minneapolis.	148,000	<u>148,000</u>	148,000	<u>148,000</u>
		6,278,387		6,195,914
Less unamortized debt issuance		<u>40,955</u>		<u>41,167</u>
		6,237,432		6,154,747
Less Portion Due Within One (1) Year Long-term Portion		<u>32,000</u>		<u>34,243</u>
		<u>\$ 6,205,432</u>		<u>\$ 6,120,504</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2022	\$ 32,000
2023	66,530
2024	707,828*
2025	-
2026	-
2027 and succeeding years	<u>5,472,029*</u>
Total	<u>\$ 6,278,387</u>

\* Includes amounts that may be forgiven.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	December 31,	
	2021	2020
Restrictions that Expire:		
Time Restrictions:		
Future Operations	\$ 1,151,666	\$ 350,000
Purpose Restrictions:		
Youth Learning and Leadership	70,000	45,000
Housing	-	40,000
Pathways	-	35,000
Restrictions in Perpetuity:		
Endowment	<u>130,000</u>	<u>130,000</u>
	<u>\$ 1,351,666</u>	<u>\$ 630,000</u>

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

10. Endowment Fund

Description

The Endowment consists of with donor restrictions and without donor restrictions funds established for the following purposes:

With donor restricted endowment funds are to be held in perpetuity, with the income and related investment gains to be used for any mission related program.

Without donor restricted endowment funds are designated by the Board of Directors to function as endowments, and are held at the discretion of the Board of Directors, with the income and related investment gains to be used for any mission related purpose.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Hope defines assets with donor restrictions that are perpetual in nature as:

- (a) the original value of gifts donated to the endowment that is perpetual in nature,
- (b) the original value of subsequent gifts to the endowment that is perpetual in nature,
- (c) accumulations to the endowment that is perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature is classified as net assets with donor-imposed time or purpose restrictions until those amounts are appropriated for expenditure by Hope in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, Hope considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. the purpose of Hope and the donor-restricted endowment fund,
3. general economic conditions,
4. the possible effect of inflation and deflation,
5. the expected total return from income and the appreciation of investments,
6. other resources of Hope,
7. the investment policies of Hope.



HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

10. Endowment Fund (continued)

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2019	\$ 147,319	\$ 122,000	\$ 269,319
Total Investment Return	50,214	-	50,214
Contributions	<u>-</u>	<u>8,000</u>	<u>8,000</u>
December 31, 2020	197,533	130,000	327,533
Total Investment Return	<u>93,886</u>	<u>-</u>	<u>93,886</u>
December 31, 2021	<u>\$ 291,419</u>	<u>\$ 130,000</u>	<u>\$ 421,419</u>

11. In-kind Contributions

Hope records in-kind contributions at fair market value at date of donation. In-kind contributions included the following as of:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Contracted Services	<u>\$ 2,610</u>	<u>\$ 40,030</u>

12. Leased Facilities

Rental commitments under noncancelable leases for office space in effect at December 31, 2021 total \$3,288,578. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	<u>Rent Expense</u>	<u>Sublease Income</u>	<u>Net Rental Expense</u>
2022	\$ 186,135	\$ 44,457	\$ 141,678
2023	187,885	-	187,885
2024	189,671	-	189,671
2025	191,491	-	191,491
2026	193,349	-	193,349
2027 and succeeding years	<u>2,340,047</u>	<u>-</u>	<u>2,340,047</u>
	<u>\$ 3,288,578</u>	<u>\$ 44,457</u>	<u>\$ 3,244,121</u>

Hope has master lease agreements with Franklin Portland Gateway (FPG) II, FPG III, and an additional Community Room lease with FPG III. Hope subleases commercial space in FPG II and FPG III to cover lease obligations.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

13. Related Parties

Hope is the general managing partner in two limited partnerships, FPG II, and FPG III, with a .005% ownership interest in each. Hope is also a general managing partner in FPG IV, with a .01% ownership interest.

As a general managing partner of FPG II, Hope is to receive a management fee of \$15,000 annually, increasing at a 3% annual rate on a cumulative basis from the available cash flow. No fee was paid in both years ending December 31, 2021 and 2020.

As a general managing partner of FPG III, Hope is to receive an annual management fee to the extent of the cash flow. The fee is a non-cumulative and none was paid in both years ending December 31, 2021 and 2020.

Hope has a 30-year master lease agreement with FPG II and FPG III for commercial space in the property. The leases expire in 2037 and 2039, respectively.

Due from Limited Partnerships

Mortgages outstanding to the following limited partnerships are secured by the mortgage at interest ranging from 1% to 4.79%. Notes are stated at unpaid principal balances. Interest income from related parties was \$26,230 and \$26,332 for 2021 and 2020, respectively. The notes receivable are summarized as follows as of:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
FPG II	\$ 224,000	\$ 224,000
FPG III	509,064	509,064
Total	<u>\$ 733,064</u>	<u>\$ 733,064</u>

The mortgages are expected to be collected as follows:

Due in the Year Ending December 31,

2022	\$ -
2023	-
2024	-
2025	-
2026	-
2027 and Beyond	733,064
Total	<u>\$ 733,064</u>

The accrued interest receivable on these notes is as follows as of:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
FPG II	\$ 246,965	\$ 226,529
FPG III	76,298	70,504
Total	<u>\$ 323,263</u>	<u>\$ 297,033</u>

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

13. Related Parties (continued)

Deferred Developer Fee

The following limited partnerships entered into agreements with Hope for development services related to the construction of the building they own. A payment will be made if there is available cash flow. The deferred developer fees are as follows as of:

	December 31,	
	2021	2020
FPG III	\$ 4,562	\$ 21,025

14. Liquidity and Availability

The following represents Hope's financial assets at:

	December 31,	
	2021	2020
Financial Assets:		
Cash	\$ 1,419,801	\$ 1,437,805
Grants and Contributions Receivable	695,000	335,250
Accounts Receivable - Net	118,366	61,934
Total Financial Assets	2,233,167	1,834,989
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions-expiring	1,221,666	500,000
Net Assets With Restrictions to be met within a year	(863,333)	(500,000)
Total assets not available for general expenditures within one year:	358,333	-
Financial assets available for general expenditures within one year	\$ 1,874,934	\$ 1,834,989

Hope maintains a board-designated fund acting as endowment of \$291,419 and \$197,533 as of December 31, 2021 and 2020 respectively that is not considered available for use within one year. Although Hope does not intend to spend from this board-designated endowment, these amounts could be made available if necessary.

Hope maintains a \$200,000 line of credit to aid in liquidity.

Hope has certain net assets with donor restrictions limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. As part of their liquidity plan, Hope has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

HOPE COMMUNITY, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

15. Cash Flow Operating Adjustments

Adjustments to reconcile Changes in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Depreciation and Amortization Expense	\$ 637,623	\$ 633,863
Donation of Investments	-	-
Unrealized (Gain) on Investments	(117,145)	(138,738)
Amortization of Interest	83,362	164,327
Deferred Developer Fee	16,463	16,672
Accrued Interest Receivable	(26,230)	(26,332)
Other Assets	(5,595)	(5,180)
Accrued Interest-Deferred	116,380	46,073
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(15,317)	(9,459)
Accrued Salaries and Vacation	28,568	(21,171)
Tenants' Deposits	24,595	(11,178)
Decreases (Increases) in Current Assets:		
Grants and Contributions Receivable	(359,750)	(55,701)
Accounts Receivable	(56,432)	27,713
Due from Limited Partnerships	-	51,012
Prepaid Expenses	(11,226)	(8,168)
Total Adjustments	<u>\$ 315,296</u>	<u>\$ 663,733</u>

HOPE COMMUNITY, INC.  
 CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
 DECEMBER 31, 2021

ASSETS

	Hope Community	Dundry House, LLC	Hope Block Stabilization Phase I, LLC	Franklin Portland Gateway Phase I, LP	Elimination Entries	Total
Current Assets:						
Cash	\$ 907,841	\$ 98,326	\$ 51,190	\$ 362,444	-	\$ 1,419,801
Grants and Contributions Receivable	695,000	-	-	-	-	695,000
Accounts Receivable-Net	43,498	35,970	14,354	24,544	-	118,366
Prepaid Expenses	16,735	7,269	1,622	11,928	-	37,554
Due from Affiliated Organization	-	91,343	-	-	(91,343)	-
Total Current Assets	1,663,074	232,908	67,166	398,916	(91,343)	2,270,721
Investments	756,626	-	-	-	-	756,626
Investment in Limited Partnerships	264,936	-	-	-	-	264,936
Due from Limited Partnerships	2,033,064	-	-	-	(1,300,000)	733,064
Deferred Developer Fee	4,562	-	-	-	-	4,562
Accrued Interest Receivable	323,263	-	-	-	-	323,263
Property and Equipment - Net	436,930	2,749,074	870,281	5,274,211	-	9,330,496
Other Assets	70,558	-	-	-	-	70,558
TOTAL ASSETS	\$ 5,553,013	\$ 2,981,982	\$ 937,447	\$ 5,673,127	\$ (1,391,343)	\$ 13,754,226

LIABILITIES AND NET ASSETS AND EQUITY

Current Liabilities:						
Notes Payable	\$ 32,000	\$ -	\$ -	\$ -	-	\$ 32,000
Accounts Payable	51,738	78,925	27,592	111,932	-	270,187
Accrued Salaries and Vacation	106,040	-	-	-	-	106,040
Tenants' Deposits	21,327	51,794	20,611	43,314	-	137,046
Due to Affiliated Organization	-	-	48,618	42,725	(91,343)	-
Total Current Liabilities	211,105	130,719	96,821	197,971	(91,343)	545,273
Accrued Interest-Deferred	-	-	70,307	839,840	-	910,147
Notes Payable	21,658	868,056	1,617,273	3,698,445	-	6,205,432
Total Liabilities	232,763	998,775	1,784,401	4,736,256	(91,343)	7,660,852
Net Assets and Equity:						
Without Donor Restrictions	3,968,584	1,983,207	(846,954)	936,871	(1,300,000)	4,741,708
With Donor Restrictions	1,351,666	-	-	-	-	1,351,666
Total Net Assets and Equity	5,320,250	1,983,207	(846,954)	936,871	(1,300,000)	6,093,374
TOTAL LIABILITIES AND NET ASSETS AND EQUITY	\$ 5,553,013	\$ 2,981,982	\$ 937,447	\$ 5,673,127	\$ (1,391,343)	\$ 13,754,226

See Independent Auditor's Report

SCHEDULE 2

HOPE COMMUNITY, INC.  
 CONSOLIDATED STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Hope Community	Dundry House, LLC	Hope Block Stabilization Phase I, LLC	Franklin Port- land Gateway Phase I, LP	Elimination Entries	Total
Support and Revenue:						
Grants and Contributions	\$ 2,530,237	\$ -	\$ -	\$ -	\$ -	\$ 2,530,237
Rental Income	38,700	243,374	208,883	435,776	-	926,733
Program Fees	40,307	-	-	-	-	40,307
Investment Income	148,669	392	46	76	-	149,183
Other Income	6,723	7,838	60	6,350	-	20,971
Total Support and Revenue	2,764,636	251,604	208,989	442,202	-	3,667,431
Expense:						
Salaries	1,118,787	17,455	7,462	19,888	-	1,163,592
Employee Benefits	102,476	1,397	662	1,601	-	106,136
Payroll Taxes	84,848	3,268	1,806	3,847	-	93,769
Operating and Maintenance	40,267	154,020	105,229	264,871	-	564,387
Contracted Services	243,856	8,876	5,051	15,620	-	273,403
Professional Fees	168,608	15,090	10,559	24,030	-	218,287
Interest	-	47,583	108,297	46,334	-	202,214
Utilities	-	50,558	33,588	89,428	-	173,574
Program Services	134,754	-	-	-	-	134,754
Real Estate Taxes	3,130	35,344	24,084	55,239	-	117,797
Insurance	17,756	21,357	19,026	32,429	-	90,568
Bad Debt	49,793	-	3,535	6,951	-	60,279
Minor Equipment	36,701	-	-	-	-	36,701
Occupancy	30,858	-	-	-	-	30,858
Telephone	24,150	-	-	-	-	24,150
Training and Development	23,383	-	-	-	-	23,383
Printing and Publicity	7,428	-	-	-	-	7,428
Supplies	6,004	-	-	-	-	6,004
Licenses and Fees	5,911	-	-	-	-	5,911
Postage and Delivery	1,538	-	-	-	-	1,538
Staff Travel and Mileage	1,345	-	-	-	-	1,345
Miscellaneous	1,338	-	-	-	-	1,338
Depreciation and Amortization	66,629	229,523	125,552	215,919	-	637,623
	2,169,560	584,471	444,851	776,157	-	3,975,039
Change in Net Assets	595,076	(332,867)	(235,862)	(333,955)	-	(307,608)
Net Assets and Equity - Beginning of Year	3,425,174	2,224,731	(562,474)	1,313,551	-	6,400,982
Net Assets and Equity - End of Year	\$ 4,020,250	\$ 1,891,864	\$ (798,336)	\$ 979,596	\$ -	\$ 6,093,374

See Independent Auditors Report