

Hope Community, Inc.
Minneapolis, Minnesota

Consolidated Financial Statements
Auditor's Report
For the Years Ended
December 31, 2020 and 2019



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Hope Community, Inc.
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Hope Community, Inc., which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets and equity, functional expense, 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Community, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
August 4, 2021

HOPE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash	\$ 1,437,805	\$ 1,027,925
Grants and Contributions Receivable	335,250	279,549
Accounts Receivable (Net of Allowance of \$100,007 in 2020 and 3,036 in 2019)	61,934	89,647
Due from Limited Partnership	-	51,012
Prepaid Expenses	<u>26,328</u>	<u>18,160</u>
Total Current Assets	1,861,317	1,466,293
Investments	634,316	482,711
Investment in Limited Partnerships	264,936	264,936
Due from Limited Partnerships	733,064	733,064
Deferred Developer Fee	21,025	37,697
Accrued Interest Receivable	297,033	270,701
Property and Equipment - Net	9,948,269	10,528,476
Other Assets	<u>64,963</u>	<u>59,783</u>
 TOTAL ASSETS	 <u>\$ 13,824,923</u>	 <u>\$ 13,843,661</u>
 <u>LIABILITIES AND NET ASSETS AND EQUITY</u>		
Current Liabilities:		
Notes Payable	\$ 34,243	\$ 38,500
Accounts Payable	285,504	294,963
Accrued Salaries and Vacation	77,472	98,643
Tenants' Deposits	<u>112,451</u>	<u>123,629</u>
Total Current Liabilities	509,670	555,735
Accrued Interest-Deferred	793,767	747,694
Notes Payable	<u>6,120,504</u>	<u>5,990,524</u>
Total Liabilities	7,423,941	7,293,953
Net Assets and Equity:		
Without Donor Restrictions	5,770,982	5,902,708
With Donor Restrictions	<u>630,000</u>	<u>647,000</u>
Total Net Assets and Equity	<u>6,400,982</u>	<u>6,549,708</u>
 TOTAL LIABILITIES AND NET ASSETS AND EQUITY	 <u>\$ 13,824,923</u>	 <u>\$ 13,843,661</u>

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

HOPE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS AND EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Support and Revenue:				
Grants and Contributions	\$ 1,560,120	\$ 508,000	\$ 2,445,851	\$ 533,000
Grants from Governmental Agencies	258,900	-	401,060	-
Rental Income	894,941	-	836,043	-
Program Fees	12,676	-	17,081	-
Investment Income	179,285	-	155,584	-
Other Income	29,662	-	36,675	-
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	335,000	(335,000)	60,000	(60,000)
Satisfaction of Time Restrictions	190,000	(190,000)	110,833	(110,833)
Satisfaction of Capital Restrictions	-	-	200,000	(200,000)
Total Support and Revenue	3,460,584	(17,000)	4,263,127	162,167
Expense:				
Program Services:				
Community Engagement	944,354	-	1,357,879	-
Real Estate Development	255,231	-	150,420	-
Housing and Asset Management	1,730,989	-	1,607,786	-
Total Program Services	2,930,574	-	3,116,085	-
Support Services:				
Management and General	457,832	-	130,220	-
Fundraising	203,904	-	166,899	-
Total Support Services	661,736	-	297,119	-
Total Expense	3,592,310	-	3,413,204	-
Change in Net Assets	(131,726)	(17,000)	849,923	162,167
Net Assets and Equity - Beginning of Year	5,902,708	647,000	5,052,785	484,833
Net Assets and Equity - End of Year	\$ 5,770,982	\$ 630,000	\$ 5,902,708	\$ 647,000

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, 2020 WITH COMPARATIVE TOTALS FOR 2019

	2020						2019		
	Program Services			Support Services			Total All Services	Total All Services	Total All Services
	Community Engagement	Real Estate Development	Housing & Asset Management	Program Services	Management & General	Fund- raising			
Salaries	\$ 526,285	\$ 152,250	\$ 38,851	\$ 717,386	\$ 224,539	\$ 130,427	\$ 354,966	\$ 1,072,352	\$ 979,390
Employee Benefits	57,265	15,761	2,573	75,599	25,245	14,018	39,263	114,862	119,887
Payroll Taxes	45,409	12,497	3,414	61,320	18,845	11,115	29,960	91,280	72,892
Total Personnel Costs	628,959	180,508	44,838	854,305	268,629	155,560	424,189	1,278,494	1,172,169
Operating and Maintenance Interest	7,384	14,103	382,945	404,432	1,339	1,022	2,361	406,793	475,325
Contracted Services	-	30,386	208,395	208,395	-	-	-	208,395	200,235
Professional Fees	80,753	5,399	149,161	111,139	52,862	16,240	69,102	180,241	254,772
Utilities	18,868	-	144,543	173,428	2,630	2,612	5,242	178,670	94,196
Program Services	82,164	237	49,467	131,868	38	41	79	144,543	158,778
Real Estate Taxes	-	-	108,844	108,844	-	-	-	131,947	215,908
Bad Debt	-	-	-	-	102,972	-	102,972	108,844	98,174
Insurance	1,962	654	64,680	67,296	4,664	1,319	5,983	73,279	72,359
Occupancy	32,254	2,696	-	34,950	1,231	1,304	2,535	37,485	40,916
Telephone	20,515	2,719	1,463	24,697	1,802	2,023	3,825	28,522	23,425
Minor Equipment	10,564	1,934	3,104	15,602	3,267	1,127	4,394	19,996	29,190
Supplies	3,806	739	1,170	5,715	8,000	460	8,460	14,175	4,471
Printing and Publicity	4,903	1,607	-	6,510	239	5,379	5,618	12,128	20,043
Miscellaneous	3,642	1,007	3,765	8,414	1,802	803	2,605	11,019	-
Licenses and Fees	181	94	154	429	147	9,376	9,523	9,952	6,565
Training and Development	6,070	1,018	-	7,088	1,798	343	2,141	9,229	25,022
Postage and Delivery	260	83	-	343	494	474	968	1,311	2,077
Staff Travel and Mileage	15	13	-	28	424	-	424	452	7,093
Depreciation and Amortization	42,054	12,034	568,460	622,548	5,494	5,821	11,315	633,863	512,486
Total Expense	\$ 944,354	\$ 255,231	\$ 1,730,989	\$ 2,930,574	\$ 457,832	\$ 203,904	\$ 661,736	\$ 3,592,310	\$ 3,413,204

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, 2019

	Program Services			Support Services			Total All Services
	Community Engagement	Real Estate Development	Housing & Asset Management	Program Services	Management & General	Fund-raising	
Salaries	\$ 630,533	\$ 84,751	\$ 95,051	\$ 810,335	\$ 82,191	\$ 86,864	\$ 1,690,555
Employee Benefits	81,422	10,983	12,317	104,722	3,895	11,270	15,165
Payroll Taxes	47,260	6,220	6,976	60,456	5,791	6,645	12,436
Total Personnel Costs	759,215	101,954	114,344	975,513	91,877	104,779	1,172,169
Operating and Maintenance Interest	-	11,057	464,268	475,325	-	-	-
Contracted Services	-	-	199,301	199,301	934	-	934
Professional Fees	219,571	5,694	-	225,265	769	28,738	29,507
Utilities	23,933	7,085	44,272	75,290	14,617	4,289	18,906
Program Services	-	-	158,778	158,778	-	-	-
Real Estate Taxes	206,535	136	9,237	215,908	-	-	-
Insurance	-	-	98,174	98,174	-	-	-
Occupancy	4,209	403	66,100	70,712	1,244	403	1,647
Telephone	31,400	4,652	297	36,349	2,269	2,298	4,567
Minor Equipment	12,136	1,524	820	14,480	7,811	1,134	8,945
Supplies	26,643	1,313	-	27,956	599	635	1,234
Printing and Publicity	2,197	725	-	2,922	342	1,207	1,549
Licenses and Fees	8,010	819	-	8,829	620	10,594	11,214
Training and Development	906	285	257	1,448	112	5,005	5,117
Postage and Delivery	17,324	3,355	-	20,679	3,171	1,172	4,343
Staff Travel and Mileage	588	168	-	756	77	1,244	1,321
Depreciation and Amortization	6,280	109	-	6,389	692	12	704
Total Expense	38,932	11,141	451,938	502,011	5,086	5,389	10,475
	\$ 1,357,879	\$ 150,420	\$ 1,607,786	\$ 3,116,085	\$ 130,220	\$ 166,899	\$ 297,119
							\$ 3,413,204

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, 2020 AND 2019

<u>Increase (Decrease) in Cash</u>	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (148,726)	\$ 1,012,090
Total Adjustments	<u>663,733</u>	<u>487,374</u>
Net Cash Provided by Operating Activities	515,007	1,499,464
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(53,656)	(1,981,285)
Transfers from Construction in Progress	-	313,907
Purchases of Investments	(4,867)	-
Proceeds from Sale of Investments	-	<u>55,734</u>
Net Cash (Used) by Investing Activities	<u>(58,523)</u>	<u>(1,611,644)</u>
Cash Flows from Financing Activities:		
Investment In Endowments	(8,000)	(8,000)
Proceeds from the Issuance of Notes Payable	-	110,634
Principal Payments on Notes Payable	<u>(38,604)</u>	<u>(37,121)</u>
Net Cash Provided (Used) by Financing Activities	<u>(46,604)</u>	<u>65,513</u>
Net Increase (Decrease) in Cash	409,880	(46,667)
Cash - Beginning of Year	<u>1,027,925</u>	<u>1,074,592</u>
Cash - End of Year	<u>\$ 1,437,805</u>	<u>\$ 1,027,925</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 3,448</u>	<u>\$ 6,145</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, 2020 AND 2019

1. Basis of Consolidation

The consolidated financial statements of Hope Community, Inc. 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

Hope Community (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 2020, Hope's work was accomplished by a 16-member Board of Directors (plus 2 Ex Officio members), a staff of 18 (15 full-time and 3 part-time) and with the help of more than 200 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's widely recognized for its work community building programs and events, its organizing campaigns and leader development trainings, and its strong portfolio of programs for youth ages 6-18. Hope is growing a network of community gardens that are being shaped by community resident leaders and collectively are moving toward action around food justice. Hope's staff is leading collaborative work with community organizations around the future of Franklin Avenue, a major through street in their neighborhood. Hope is leading a city-wide campaign to operationalize equity within the Minneapolis park system, with more than 600 people involved citywide. Hope also partners with and hosts programming delivered by other organizations: in 2020, 14 people completed 12-week training for aspiring neighborhood-scale entrepreneurs produced by Neighborhood Development Center; and 399 households participated in free community tax-preparation clinics produced by Prepare and Prosper, with \$769,865 returned to community in tax refunds.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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. With partner Land Stewardship Project, Hope has built capacity to take its food work to a level that is changing the food landscape in Phillips. More than 150 youth and adults are involved each year in operating 7,500 square feet of urban agriculture gardens and preparing and sharing food out of two community kitchens.
- 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.
- Leadership and self-advocacy are a core element in Hope's work. Its 8-month leadership training for young adults and has been building a strong network of leaders since 2007. More than 200 people, mainly people of color, have completed the training to date. Over 75% of graduates stay connected to this program after graduating. In 2020, Hope's small group empowerment cohorts took their work to the next level: young women in the Girls Empowerment Movement group played leadership roles in the first MN hosted Trust Black Women and Girls Town Hall Forum focused on policy related to black women and girls, and young men from the Young Men of Color group presented their leadership projects in an annual forum produced by the *Why You?* Initiative.
- 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.
- Hope continues to support space for in-depth community conversations through *Shaah iyo Sheeko (Tea and Story)*. These weekly, gatherings include community-member facilitated conversations around community and health. People living at and near Hope have had the opportunity to build/strengthen connections with others in the community and develop strong networks of support and opportunity. In 2020, more than 50 people were involved.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Organization (continued)

Hope has also developed a solid body of work to improve community health, public safety and business vitality along Franklin Avenue. Work has included engagement/listening, major community events, and developing partnerships to support community interests along Franklin. Hope continues to work with partners Native American Community Development Institute, Cycles for Change and Our Streets to build involvement and community connection around the Franklin Avenue issues and opportunities. In 2020, Hope's staff led work towards the seventh Open Streets event on Franklin Avenue (which drew nearly 6,000 people).

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 Franklin and Portland Avenues. Hope and Aeon co-own the buildings in the South Quarter: Hope owns another 50 units of rental housing in the immediate area.

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. 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 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.

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.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Organization (continued)

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 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 recognizes that courageous and respectful agitation is sometimes necessary to achieve change. Hope appreciates courage, humility, patience, faith, and humor, which help make its work possible and sustainable.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of Hope have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, prepaid expenses, payables and other liabilities.

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.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. Summary of Significant Accounting Policies (continued)

Net Assets

Net Assets, revenues, gains, and losses are classified based on the existence or absence of donor-or grantor-imposed restrictions. Accordingly, net assets 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-or grantor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- or grantor-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. Hope reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from 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 \$100,007 and 3,036 for the years ended December 31, 2020 and 2019, 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, 2020 AND 2019

2. 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 measurable 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.

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 August 4, 2021, which is the date consolidated financial statements were available to be issued.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

3. 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. Therefore, Hope expects this matter to negatively impact its operating results, but reasonable estimates cannot be made at this time.

4. 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, 2020 and 2019, Hope held funds in a financial institution in excess of federally insured limits.

5. Investments

Hope held the following investments as of:

	December 31,			
	2020		2019	
	Market	Cost	Market	Cost
Mutual Funds	\$ 628,702	\$ 234,707	\$ 477,801	\$ 221,880
Cash Surrender Value of Life Insurance Policies	5,614	2,181	4,910	2,181
	<u>\$ 634,316</u>	<u>\$ 236,888</u>	<u>\$ 482,711</u>	<u>\$ 224,061</u>

Investment income was as follows as of:

	December 31,	
	2020	2019
Interest and Dividend Income	\$ 14,215	\$ 8,432
Unrealized Gain	138,738	121,818
Deferred Interest Income from Notes Receivable	26,332	25,334
	<u>\$ 179,285</u>	<u>\$ 155,584</u>

6. Grants and Contributions Receivable

The balance of grants and contributions receivable are due as follows:

	December 31,	
	2020	2019
Grants and Contributions Receivable (less than one year)	<u>\$ 335,250</u>	<u>\$ 279,549</u>

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

7. 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:

	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	<u>\$ 634,316</u>	<u>\$ 733,064</u>	<u>\$ 264,936</u>	<u>\$ 1,632,316</u>

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Fund	\$ 477,801	\$ -	\$ -	\$ 477,801
Life Insurance Policies	4,910	-	-	4,910
Investment in Ltd. Partnerships	-	-	264,936	264,936
Due from Limited Partnerships	-	784,076	-	784,076
Total	<u>\$ 482,711</u>	<u>\$ 784,076</u>	<u>\$ 264,936</u>	<u>\$ 1,531,723</u>

8. Property and Equipment

Hope owned the following assets as of:

	December 31,		Estimated Useful Lives
	2020	2019	
Land	\$ 1,125,807	\$ 1,125,807	
Buildings and Improvements	15,952,717	15,940,592	10-40 years
Furniture and Equipment	<u>1,040,418</u>	<u>1,005,023</u>	3-10 years
	18,118,942	18,071,422	
Less Accumulated Depreciation	<u>8,170,673</u>	<u>7,542,946</u>	
	<u>\$ 9,948,269</u>	<u>\$ 10,528,476</u>	

Depreciation and amortization expense of \$633,863 and \$512,486 was recorded for the years ended December 31, 2020 and 2019, respectively.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable

From 1994 through 2020, 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:

	December 31,			
	2020		2019	
	Face Value	Current Value	Face Value	Current Value
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. 22 nd Street, and 2013 Oakland Avenue South, Minneapolis. Matures November 14, 2025.	\$ 1,927,300	\$ 59,972	\$ 1,927,300	\$ 88,970
1% note payable to Minneapolis Community Development Agency. Secured by mortgage, security agreement, and fixture financing agreement.	495,000	514,846	495,000	476,709
1% note payable to Minneapolis Community Development Agency. Secured by properties at 2023, 2101, and 2109 Portland Avenue South, and 2026 Oakland Avenue South, Minneapolis.	192,435	156,447	192,435	155,041
1% note payable to Minneapolis Community Development Agency. Secured by property and rents at 2024 Oakland Avenue South, Minneapolis.	168,900	119,281	168,900	110,445
1% note payable to Family Housing Fund. Secured by mortgage, security agreement, and fixture financing agreement.	100,000	101,634	100,000	93,684

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable (Continued)

	December 31,			
	2020		2019	
	Face Value	Current Value	Face Value	Current Value
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	104,469	130,000	96,731
0% note payable to Family Housing Fund. Secured by mortgage.	149,000	96,924	149,000	89,745
0% note payable to Minnesota Housing Finance Agency. Secured by properties at 2021 and 2109 Portland Avenue South, Minneapolis.	139,500	61,915	139,500	57,329
1% note payable to the City of Minneapolis. 30-year note maturing July 2037.	332,000	116,821	332,000	109,691
1% note payable to the City of Minneapolis. Matures October 2039. Secured by mortgage, security agreement and fixture financing agreement.	646,000	197,529	646,000	185,473
6.5% 30-year note payable to Minnesota Housing Finance Agency that matures October 31, 2039. Secured by mortgage security agreements for 2021, 2023, 2109 and 2115 Portland Avenue South, 2024 and 2026 Oakland Avenue South, Minneapolis.	539,838	164,844	539,838	154,783

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable (continued)

	December 31,			
	2020		2019	
	Face Value	Current Value	Face Value	Current Value
6.5% 30-year note payable to Minnesota Housing Finance Agency that matures October 31, 2039. Secured by mortgage security agreements for 2021, 2023, 2109 and 2115 Portland Avenue South, 2024 and 2026 Oakland Avenue South, Minneapolis.	190,000	58,019	190,000	54,447
1% 30-year note payable to Minnesota Housing Finance Agency that matures December 2040. Secured by mortgage security agreements for 1829-5 th Avenue, Minneapolis.	1,082,805	305,177	1,082,805	286,551
0% 30-year note payable to Minnesota Housing Finance Agency that matures January 31, 2023. Secured by mortgage security agreements for 2012 Portland Avenue South, Minneapolis.	45,100	41,384	45,100	38,166
1% 30-year note payable to City of Minneapolis that matures December 13, 2048. Secured by mortgage security agreements for 1829 – 5 th , 2012, 2101 Portland Avenue and 616-618 E. 22 nd Street, Minneapolis.	408,679	101,073	408,679	96,153
1% 30-year note payable to Minnesota Housing Finance Agency that matures December 13, 2048. Secured by mortgage security agreements for 1829- 5 th , 2012, 2101 Portland Avenues and 616-618 E. 22 nd Street, Minneapolis.	1,124,000	277,982	1,124,000	264,452

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable (continued)

	December 31,			
	2020		2019	
	Face Value	Current Value	Face Value	Current Value
\$200,000 variable rate line-of-credit with Western Bank. Interest is payable at the bank's prime rate of 5.75%. The credit facility expires November 29, 2021 Secured by cash accounts.	200,000	-	200,000	-
1% note payable to Minnesota Housing Finance Agency that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd 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) that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	400,000	400,000	400,000	400,000
1% note payable to (CPED) that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	100,000	100,000	100,000	100,000
1% note payable to Family Housing Fund that matures January 30, 2033. Secured by mortgage security agreements for 612 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	290,000	290,000	290,000	290,000

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable (continued)

	December 31,			
	2020		2019	
	Face Value	Current Value	Face Value	Current Value
1% note payable to CPED that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	500,000	500,000	500,000	500,000
5.34% note payable to CPED that matures December 31, 2031. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	55,000	55,000	55,000	55,000
5.34% note payable to CPED that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	205,000	205,000	205,000	205,000
1% note payable to Hennepin County Housing and Redevelopment Authority that matures January 30, 2033. Secured by mortgage security agreements for 613 E. Franklin Avenue, 2108 Oakland Avenue and 612-614 East 22 nd Street, Minneapolis.	148,000	148,000	148,000	148,000
		6,195,914		6,075,967
Less unamortized debt issuance		41,167		46,943
		6,154,747		6,029,024
Less Portion Due Within One (1) Year		34,243		38,500
Long-term Portion		\$ 6,120,504		\$ 5,990,524

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. Notes Payable (continued)

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2021	\$ 34,243
2022	25,729
2023	41,384
2024	720,949*
2025	-
2026 and succeeding years	<u>5,332,442*</u>
Total	<u>\$ 6,154,747</u>

* Includes amounts that may be forgiven.

10. Net Assets With Donor Restrictions

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Restrictions that Expire:		
Time Restrictions:		
Future Operations	\$ 350,000	\$ 525,000
Purpose Restrictions:		
Youth Leadership and Technology	45,000	-
Housing	40,000	-
Pathways	35,000	-
Other	30,000	-
Restrictions in Perpetuity:		
Endowment	<u>130,000</u>	<u>122,000</u>
	<u>\$ 630,000</u>	<u>\$ 647,000</u>

11. 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.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

11. Endowment Fund (continued)

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 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.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2020	<u>\$ 197,533</u>	<u>\$ 130,000</u>	<u>\$ 327,533</u>
December 31, 2019	<u>\$ 147,319</u>	<u>\$ 122,000</u>	<u>\$ 269,319</u>

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

11. Endowment Fund (continued)

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
December 31, 2018	\$ 125,940	\$ 114,000	\$ 239,940
Total Investment Return	71,379	-	71,379
Expenditures	(50,000)	-	(50,000)
Contributions	<u>-</u>	<u>8,000</u>	<u>8,000</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	<u>\$ 197,533</u>	<u>\$ 130,000</u>	<u>\$ 327,533</u>

12. 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>2020</u>	<u>2019</u>
Contracted Services	<u>\$ 40,030</u>	<u>\$ 149,851</u>

13. Leased Facilities

Rental commitments under noncancelable leases for office space in effect at December 31, 2020 total \$3,472,996. 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>
2021	\$ 184,418	\$ 88,043	\$ 96,375
2022	186,135	44,457	141,678
2023	187,885	-	187,885
2024	189,671	-	189,671
2025	191,491	-	191,491
2026 and succeeding years	<u>2,533,396</u>	<u>-</u>	<u>2,533,396</u>
	<u>\$ 3,472,996</u>	<u>\$ 132,500</u>	<u>\$ 3,340,496</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, 2020 AND 2019

14. Related Parties

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

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, 2020 and 2019.

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, 2020 and 2019.

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

Prepaid Rent

Hope has prepaid (payables) to the following limited partnerships for rent. The totals are summarized as follows as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
FPG II	\$ 571	\$ (850)
FPG III	-	(1,273)
Total	<u>\$ 571</u>	<u>\$ (2,123)</u>

Due from Limited Partnerships

Hope has outstanding receivables with the following limited partnerships as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
FPG II	<u>\$ -</u>	<u>\$ 51,012</u>

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 \$26,332 and \$25,334 for 2020 and 2019, respectively. The notes receivable are summarized as follows as of:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
FPG II	\$ 224,000	\$ 224,000
FPG III	<u>509,064</u>	<u>509,064</u>
Total	<u>\$ 733,064</u>	<u>\$ 733,064</u>

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

14. Related Parties (continued)

The mortgages are expected to be collected as follows:

<u>Due in the Year Ending December 31,</u>	
2021	\$ -
2022	-
2023	-
2024	-
2025	-
2026 and Beyond	<u>733,064</u>
Total	<u>\$ 733,064</u>

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
FPG II	\$ 226,529	\$ 205,935
FPG III	<u>70,504</u>	<u>64,766</u>
Total	<u>\$ 297,033</u>	<u>\$ 270,701</u>

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:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
FPG III	<u>\$ 21,025</u>	<u>\$ 37,697</u>

15. Correction of Accounting Error

The 2019 financial statements neglected to consolidate Franklin Portland Gateway Phase I. LP. Accordingly, Hope restated its results for the year ended December 31, 2019. The effect of the restatement on the change in net assets and financial position as of and for the year ended December 31, 2019 is as follows:

	<u>As previously Reported</u>	<u>Restated</u>
Cash	\$ 668,188	\$ 1,027,925
Accounts Receivable	66,567	89,647
Due from Limited Partnerships-current	27,385	51,012
Prepaid Expenses	9,981	18,160
Due from Limited Partnerships-LT	2,033,064	733,064
Accrued Interest Receivable	1,246,101	270,701
Property and Equipment-Net	4,847,563	10,528,476

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

15. Restatement of 2019 Financial Statements (continued)

	As previously Reported	Restated
Accounts Payable	\$ 188,950	\$ 294,963
Tenant Deposits	89,204	123,629
Accrued Interest-Deferred	-	747,694
Notes Payable-LT	2,294,842	5,990,524
Change in Net Assets	1,329,742	1,012,090
Net Assets and Equity-Beginning of Year	5,981,644	5,537,618
Net Assets and Equity-End of Year	7,311,386	6,549,708

16. Liquidity and Availability

The following represents Hope's financial assets at:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash	\$ 1,437,805	\$ 1,027,925
Grants and Contributions Receivable	335,250	279,549
Accounts Receivable - Net	61,934	89,647
Due from Limited Partnership	-	<u>51,012</u>
Total Financial Assets	<u>\$ 1,834,989</u>	<u>\$ 1,448,133</u>
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions-expiring	500,000	525,000
Net Assets With Restrictions to be met within a year	<u>(500,000)</u>	<u>(525,000)</u>
Total assets not available for general expenditures within one year:	<u>-</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 1,834,989</u>	<u>\$ 1,448,133</u>

Hope maintains a board-designated fund acting as endowment of \$197,533 and 147,319 as of December 31, 2020 and 2019 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 with American National Bank 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, 2020 AND 2019

17. 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>2020</u>	<u>2019</u>
Depreciation and Amortization Expense	\$ 633,863	\$ 512,486
Donation of Investments	-	(10,143)
Unrealized (Gain) on Investments	(138,738)	(121,818)
Amortization of Interest	164,327	148,018
Deferred Developer Fee	16,672	-
Accrued Interest Receivable	(26,332)	(82,890)
Other Assets	(5,180)	(10,705)
Accrued Interest-Deferred	46,073	103,630
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(9,459)	74,257
Accrued Salaries and Vacation	(21,171)	(5,231)
Tenants' Deposits	(11,178)	30,297
Fiscal Agency	-	(15,000)
Other Liabilities	-	(33,750)
Decreases (Increases) in Current Assets:		
Grants and Contributions Receivable	(55,701)	(109,859)
Accounts Receivable	27,713	(63,570)
Due from Limited Partnerships	51,012	67,772
Prepaid Expenses	(8,168)	3,880
Total Adjustments	<u>\$ 663,733</u>	<u>\$ 487,374</u>

ADDITIONAL INFORMATION



Carpenter, Evert & Associates

Certified Public Accountants

7760 France Avenue S. Suite 940 Bloomington Minnesota 55435

952.831.0085 carpenterevert.com

Independent Auditor's Report on Additional Information

Board of Directors
Hope Community, Inc.
Minneapolis, Minnesota

We have audited the consolidated financial statements of Hope Community, Inc. as of and for the year ended December 31, 2020, and our report thereon dated August 4, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of statements of operations for the year ended December 31, 2020, statements of financial position as of December 31, 2020, and Schedules of Computation of Surplus Cash, Distribution and Residual Receipt for the year ended December 31, 2020 for Dundry House, LLC, Hope Block Stabilization Phase I, LLC and Franklin Portland Gateway Phase I, LP are presented for purposes of additional analysis and are not a required part of the basic consolidated 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, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
August 4, 2021

HOPE COMMUNITY, INC - DUNDRY HOUSE, LLC
STATEMENT OF OPERATIONS
DECEMBER 31, 2020

Revenue:	
Rental Income	\$ 259,149
Investment Income	683
Other Income	1,692
Total Revenue	<u>261,524</u>
Expense:	
Personnel Costs	28,219
Operating and Maintenance	107,290
Interest	156
Professional Fees	4,999
Utilities	40,724
Real Estate Taxes	27,465
Bad Debt	4,695
Insurance	18,070
Telephone	3,966
Supplies	1,810
Miscellaneous	159
Licenses and Fees	1,923
Staff Travel and Mileage	24
Total Expense	<u>239,500</u>
Net Operating Income	22,024
Less Depreciation and Amortization	<u>-</u>
Net Income	<u>\$ 22,024</u>

HOPE COMMUNITY, INC -DUNDRY HOUSE, LLC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:	
Cash	\$ 93,368
Accounts Receivable	27,418
Prepaid Expenses	6,848
	<u>127,634</u>
Property and Equipment:	
Land	139,600
Buildings	1,734,759
Building Improvements	2,907,125
Furnishings and Equipment	34,029
Accumulated Depreciation	(4,814,217)
Property and Equipment-Net	<u>1,296</u>
 TOTAL ASSETS	 <u>\$ 128,930</u>

LIABILITIES AND EQUITY

Current Liabilities:	
Accounts Payable	\$ 156,683
Tenants' Deposits	20,314
Total Current Liabilities	<u>176,997</u>
Equity	<u>(48,067)</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 128,930</u>

See Independent Auditor's Report on Additional Information.

HOPE COMMUNITY, INC - HOPE BLOCK STABILIZATION PHASE I, LLC
STATEMENT OF OPERATIONS
DECEMBER 31, 2020

Revenue:	
Rental Income	\$ 178,161
Investment Income	109
Other Income	1,065
Total Revenue	<u>179,335</u>
Expense:	
Personnel Costs	13,188
Operating and Maintenance	128,561
Interest	133
Professional Fees	2,620
Utilities	29,843
Real Estate Taxes	31,474
Bad Debt	851
Insurance	16,340
Telephone	1,085
Supplies	1,110
Miscellaneous	167
Licenses and Fees	2,810
Total Expense	<u>228,182</u>
Net Operating (Loss)	(48,847)
Less Depreciation and Amortization	<u>-</u>
Net (Loss)	<u>\$ (48,847)</u>

See Independent Auditor's Report on Additional Information.

HOPE COMMUNITY, INC - HOPE BLOCK STABILIZATION PHASE I, LLC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:	
Cash	\$ 35,067
Accounts Receivable	11,041
Prepaid Expenses	1,492
Total Current Assets	<u>47,600</u>
 TOTAL ASSETS	 <u>\$ 47,600</u>

LIABILITIES AND EQUITY

Current Liabilities:	
Accounts Payable	\$ 98,415
Tenants' Deposits	15,607
Total Current Liabilities	<u>114,022</u>
 Equity	 <u>(66,422)</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 47,600</u>

See Independent Auditor's Report on Additional Information.

HOPE COMMUNITY, INC -
FRANKLIN PORTLAND GATEWAY PHASE I, LP
STATEMENT OF OPERATIONS
DECEMBER 31, 2020

Revenue:		
Rental Income	\$	422,439
Investment Income		8,416
Total Revenue		<u>430,855</u>
Expense:		
Personnel Costs		44,838
Operating and Maintenance		231,572
Interest		105,710
Professional Fees		14,036
Utilities		73,976
Real Estate Taxes		46,570
Insurance		24,533
Supplies		1,170
Licenses and Fees		56
Total Expense		<u>542,461</u>
Net Operating (Loss)		(111,606)
Less Depreciation and Amortization		<u>215,004</u>
Net (Loss)	\$	<u><u>(326,610)</u></u>

See Independent Auditor's Report on Additional Information.

HOPE COMMUNITY, INC -
FRANKLIN PORTLAND GATEWAY PHASE 1, LP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:	
Cash	\$ 364,955
Accounts Receivable	36,271
Prepaid Expenses	10,480
Total Current Assets	<u>411,706</u>
Property and Equipment:	
Land	798,110
Buildings	8,099,764
Building Improvements	116,786
Furnishings and Equipment	611,935
Accumulated Depreciation	(4,143,057)
Property and Equipment-Net	<u>5,483,538</u>
 TOTAL ASSETS	 <u>\$ 5,895,244</u>

LIABILITIES AND EQUITY

Current Liabilities:	
Accounts Payable	\$ 124,812
Tenants' Deposits	32,840
Total Current Liabilities	<u>157,652</u>
Accrued Interest-Deferred	1,828,567
Notes Payable	4,997,313
Total Liabilities	<u>6,983,532</u>
Equity	<u>(1,088,288)</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 5,895,244</u>

See Independent Auditor's Report on Additional Information.