

Hope Community, Inc.

Minneapolis, Minnesota

Consolidated Financial Statements

Auditor's Report

For the Years Ended

December 31, 2022 and 2021



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 consolidated 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 consolidated financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements as a whole. The Consolidating Statement of Financial Position as of December 31, 2022, the Consolidating Statement of Activities for the year then ended and the Computation of Surplus Cash, Distributions and Residual Receipts Dundry House, LLC, Hope Block Stabilization Phase I, LLC and Franklin Portland Gateway Phase I, LP as of December 31, 2022 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Carpenter, Ewert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
June 7, 2023

HOPE COMMUNITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash	\$ 1,598,909	\$ 1,419,801
Grants and Contributions Receivable	304,238	695,000
Accounts Receivable-Net	116,896	118,366
Prepaid Expenses	51,438	37,554
Total Current Assets	<u>2,071,481</u>	<u>2,270,721</u>
Investments	635,047	756,626
Investment in Limited Partnerships	264,936	264,936
Due from Limited Partnerships	733,064	733,064
Deferred Developer Fee	4,562	4,562
Accrued Interest Receivable	350,491	323,263
Property - Net	8,773,213	9,330,496
Other Assets	63,423	70,558
TOTAL ASSETS	<u>\$ 12,896,217</u>	<u>\$ 13,754,226</u>
 <u>LIABILITIES AND NET ASSETS AND EQUITY</u>		
Current Liabilities:		
Notes Payable	\$ 11,515	\$ 32,000
Accounts Payable	310,753	270,187
Accrued Salaries and Vacation	108,125	106,040
Tenants' Deposits	112,276	137,046
Total Current Liabilities	<u>542,669</u>	<u>545,273</u>
Accrued Interest Payable	1,009,445	910,147
Notes Payable	6,280,803	6,205,432
Total Liabilities	<u>7,832,917</u>	<u>7,660,852</u>
Net Assets and Equity:		
Without Donor Restrictions	3,648,490	4,741,708
With Donor Restrictions	1,414,810	1,351,666
Total Net Assets and Equity	<u>5,063,300</u>	<u>6,093,374</u>
TOTAL LIABILITIES AND NET ASSETS AND EQUITY	<u>\$ 12,896,217</u>	<u>\$ 13,754,226</u>

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions of Financial Assets	\$ 910,869	\$ 1,247,548	\$ 2,158,417	\$ 1,161,761	\$ 1,365,866	\$ 2,527,627
Grants from Governmental Agencies	25,067	-	25,067	-	-	-
Contributions of Nonfinancial Assets	14,380	-	14,380	2,610	-	2,610
Rental Income	776,398	-	776,398	926,733	-	926,733
Program Fees	52,773	-	52,773	40,307	-	40,307
Investment Income (Loss)	(93,153)	-	(93,153)	149,183	-	149,183
Gain on Sale of Property	94,094	-	94,094	-	-	-
Other Income	96,219	-	96,219	20,971	-	20,971
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	316,071	(316,071)	-	594,200	(594,200)	-
Satisfaction of Time Restrictions	868,333	(868,333)	-	50,000	(50,000)	-
Total Support and Revenue	3,061,051	63,144	3,124,195	2,945,765	721,666	3,667,431
Expense:						
Program Services:						
Community Engagement	1,188,759	-	1,188,759	1,039,970	-	1,039,970
Real Estate Development	314,175	-	314,175	291,632	-	291,632
Housing and Asset Management	2,010,363	-	2,010,363	1,963,142	-	1,963,142
Total Program Services	3,513,297	-	3,513,297	3,294,744	-	3,294,744
Support Services:						
Management and General Fundraising	438,851	-	438,851	462,094	-	462,094
Total Support Services	247,221	-	247,221	218,201	-	218,201
Total Expense	686,072	-	686,072	680,295	-	680,295
	4,199,369	-	4,199,369	3,975,039	-	3,975,039
Change in Net Assets from Operations	(1,138,318)	63,144	(1,075,174)	(1,029,274)	721,666	(307,608)
Release of Forgivable Loan	45,100	-	45,100	-	-	-
Total Change in Net Assets	(1,093,218)	63,144	(1,030,074)	(1,029,274)	721,666	(307,608)
Net Assets and Equity - Beginning of Year	4,741,708	1,351,666	6,093,374	5,770,982	630,000	6,400,982
Net Assets and Equity - End of Year	\$ 3,648,490	\$ 1,414,810	\$ 5,063,300	\$ 4,741,708	\$ 1,351,666	\$ 6,093,374

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, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022						2021		
	Program Services			Support Services			Total		
	Community Engagement	Real Estate Development	Housing & Asset Management	Total Program Services	Management & General	Fundraising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 723,517	\$ 209,308	\$ 53,411	\$ 986,236	\$ 308,688	\$ 179,306	\$ 487,994	\$ 1,474,230	\$ 1,163,592
Employee Benefits	73,782	20,307	3,315	97,404	32,527	18,061	50,588	147,992	106,136
Payroll Taxes	71,696	19,732	5,390	96,818	29,754	17,550	47,304	144,122	93,769
Total Personnel Costs	868,995	249,347	62,116	1,180,458	370,969	214,917	585,886	1,766,344	1,363,497
Operating and Maintenance	8,268	15,792	428,807	452,867	1,499	1,144	2,643	455,510	564,387
Utilities	-	-	246,480	246,480	-	-	-	246,480	173,574
Interest	-	-	233,355	233,355	-	-	-	233,355	202,214
Client Support Services	106,955	-	64,146	171,101	-	-	-	171,101	134,754
Contracted Services	56,307	21,187	-	77,494	36,859	11,324	48,183	125,677	273,403
Bad Debt	-	-	117,676	117,676	-	-	-	117,676	60,279
Insurance	3,130	1,043	103,195	107,368	7,441	2,104	9,545	116,913	90,568
Real Estate Taxes	-	-	88,068	88,068	-	-	-	88,068	117,797
Professional Fees	8,143	2,330	64,375	74,848	1,135	1,127	2,262	77,110	218,287
Occupancy	43,924	3,671	-	47,595	1,676	1,776	3,452	51,047	30,858
Telephone	25,825	3,423	1,842	31,090	2,268	2,547	4,815	35,905	24,150
Training and Development	16,427	2,755	-	19,182	4,866	928	5,794	24,976	23,383
Licenses and Fees	405	210	21,299	21,914	329	-	329	22,243	5,911
Printing and Publicity	4,232	1,387	-	5,619	206	4,643	4,849	10,468	7,428
Supplies	1,272	247	391	1,910	2,674	154	2,828	4,738	6,004
Miscellaneous	896	248	927	2,071	444	198	642	2,713	1,338
Staff Travel and Mileage	79	69	-	148	2,241	-	2,241	2,389	1,345
Minor Equipment	999	183	294	1,476	309	107	416	1,892	36,701
Postage and Delivery	187	60	-	247	355	340	695	942	1,538
Depreciation and Amortization	42,715	12,223	577,392	632,330	5,580	5,912	11,492	643,822	637,623
Total Expense	\$ 1,188,759	\$ 314,175	\$ 2,010,363	\$ 3,513,297	\$ 438,851	\$ 247,221	\$ 686,072	\$ 4,199,369	\$ 3,975,039

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, 2021

	Program Services				Support Services			Total All Services
	Community Engagement	Real Estate Development	Housing & Asset Management	Total Program Services	Management & General	Fundraising	Support 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
Utilities	-	-	173,574	173,574	-	-	-	173,574
Interest	-	-	202,214	202,214	-	-	-	202,214
Client Support Services	83,912	242	50,519	134,673	39	42	81	134,754
Contracted Services	122,492	46,092	-	168,584	80,185	24,634	104,819	273,403
Bad Debt	-	-	-	-	60,279	-	60,279	60,279
Insurance	2,425	808	79,941	83,174	5,764	1,630	7,394	90,568
Real Estate Taxes	-	-	117,797	117,797	-	-	-	117,797
Professional Fees	23,052	6,596	182,235	211,883	3,213	3,191	6,404	218,287
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
Licenses and Fees	108	56	91	255	87	5,569	5,656	5,911
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
Miscellaneous	442	122	457	1,021	219	98	317	1,338
Staff Travel and Mileage	46	39	-	85	1,260	-	1,260	1,345
Minor Equipment	19,389	3,550	5,697	28,636	5,996	2,069	8,065	36,701
Postage and Delivery	305	97	-	402	580	556	1,136	1,538
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

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, 2022 AND 2021

<u>Increase (Decrease) in Cash</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (1,030,074)	\$ (307,608)
Total Adjustments	<u>1,244,105</u>	<u>315,296</u>
Net Cash Provided by Operating Activities	214,031	7,688
Cash Flows from Investing Activities:		
Proceeds from Sale of Property	120,000	-
Purchase of Property	(112,445)	(14,213)
Proceeds from Sale of Investments	93,107	-
Purchases of Investments	<u>(85,442)</u>	<u>(5,165)</u>
Net Cash Provided (Used) by Investing Activities	15,220	(19,378)
Cash Flows from Financing Activities:		
Investment In Endowments	(8,000)	-
Principal Payments on Notes Payable	<u>(42,143)</u>	<u>(6,314)</u>
Net Cash (Used) by Financing Activities	<u>(50,143)</u>	<u>(6,314)</u>
Net Increase (Decrease) in Cash	179,108	(18,004)
Cash - Beginning of Year	<u>1,419,801</u>	<u>1,437,805</u>
Cash - End of Year	<u>\$ 1,598,909</u>	<u>\$ 1,419,801</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 1,404</u>	<u>\$ 2,472</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, 2022 AND 2021

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 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 COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Organization (continued)

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 than 22,000 residents, 80% of whom are people of color. In 2022, Hope's work was accomplished by 13 members of the Board of Directors (plus 2 Ex Officio members), a staff of 27 and with the help of more than 54 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. 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 its organizing through art completing 4 murals in 2022. 25 artists/organizers and 47 community members created public art while gathering for 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.

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. We had 49 community members come out and garden with us in 2022 in our 7,500 square feet of urban agriculture.
- We had 43 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.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Organization (continued)

- 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 were able to put \$54,000 back in the hands of 68 young people through internships, scholarships, and stipends. These dollars are direct dollars from Hope, along with support paid through our many partnerships.

Community Engagement – Hope has completed our 13th growing season in our gardens, renovated the youth garden with walking paths, irrigation and orchard. We were able to bring two youth that graduated from our program into paid part time roles. We completed our 3rd year of Transformational Creative Strategies Training (TRCSTR) Launched youth Certification Program (Certify-Me). Piloted a program with the University of Minnesota to explore connections between parks and housing.

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 2022, Hope broke ground on the creation of affordable home ownership opportunities through a partnership with the City of Lakes Community Land Trust. This project works in conjunction with Hope's Community Ownership Program which launched in 2020 and supports aspiring owner-occupants of small multi-family buildings. Over 50 graduates have completed the program as of the end of 2022.

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, 2022 AND 2021

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.

New Accounting Pronouncements

In 2022, Hope adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. Hope elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

Hope has also adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as management believes the standards improve the usefulness and understandability of the Organization's financial reporting. The ASU has been applied retrospectively for the periods ended December 31, 2022 and 2021, as required.

Leases

Hope determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. Hope does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. Summary of Significant Accounting Policies (continued)

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.

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 \$157,676 and \$65,000 for the years ended December 31, 2022 and 2021, respectively.

Investments

Hope carries its investments at market value.

Investments in Limited Partnerships

Investments in limited partnerships consist of privately held partnerships without readily determinable market values. Hope adjusts the carrying value of these investments up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on these investments, realized and unrealized, are recognized in the statement of activities as changes in net assets.

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.

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, 2022 AND 2021

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 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 state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Hope has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No refundable advances exist at the years ended December 31, 2022 and 2021.

Hope records contributions of nonfinancial assets at fair market value at date of donation. Hope's policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provide that does not allow Hope to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

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.

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. Hope's policy 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. In compliance with its exempt status, Hope annually files a 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 7, 2023, which is the date consolidated financial statements were available to be issued.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

2. 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, 2022 and 2021, Hope held funds in excess of federally insured limits.

3. Grants and Contributions Receivable

The balance of grants and contributions receivable as of December 31, 2022 and 2021 are due in the following year.

4. Investments

Hope held the following investments as of:

	December 31,			
	2022		2021	
	Market	Cost	Market	Cost
Mutual Funds	\$ 629,635	\$ 329,592	\$ 750,056	\$ 239,913
Cash Surrender Value of Life Insurance Policies	5,412	2,181	6,570	2,181
	\$ 635,047	\$ 331,773	\$ 756,626	\$ 242,094

Investment income (loss) was as follows as of:

	December 31,	
	2022	2021
Interest and Dividend Income	\$ 1,532	\$ 5,808
Unrealized Gain (Loss)	(121,914)	117,145
Deferred Interest Income from Notes Receivable	27,229	26,230
	\$ (93,153)	\$ 149,183

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.

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. Fair Value (continued)

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

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 629,635	\$ -	\$ -	\$ 629,635
Life Insurance Policies	5,412	-	-	5,412
Investment in Ltd. Partnerships	-	-	264,936	264,936
Due from Limited Partnerships	-	733,064	-	733,064
Total	\$ 635,047	\$ 733,064	\$ 264,936	\$ 1,633,047

	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

6. Property and Equipment

Hope owned the following assets as of:

	December 31,		Estimated Useful Lives
	2022	2021	
Land	\$ 1,121,007	\$ 1,125,807	
Buildings and Improvements	15,920,073	15,952,717	10-40 years
Furniture and Equipment	1,092,180	1,054,632	3-10 years
	18,133,260	18,133,156	
Less Accumulated Depreciation	9,360,047	8,802,660	
	\$ 8,773,213	\$ 9,330,496	

Depreciation and amortization expense of \$643,822 and \$637,623 was recorded for the years ended December 31, 2022 and 2021, respectively.

7. Net Assets With Donor Restrictions

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

	December 31,	
	2022	2021
Restrictions that Expire:		
Time Restrictions:		
Future Operations	\$ 683,333	\$ 1,151,666
Purpose Restrictions:		
Advancing Racial Equity	383,477	-
Groundbreak Coalition	150,000	-
Youth Learning and Leadership	60,000	70,000
Restrictions in Perpetuity:		
Endowment	138,000	130,000
	\$ 1,414,810	\$ 1,351,666

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable

Starting in 1994, 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,			
	2022		2021	
	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 616 and 618 E. 22nd Street and 2013 Oakland Avenue South, Minneapolis. Matures November 14, 2025.	\$ 1,927,300	\$ 11,515	\$ 1,927,300	\$ 53,658
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	495,000
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	182,479	192,435	168,962
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	139,129	168,900	128,823

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable (Continued)

	December 31,			
	2022		2021	
	Face Value	Current Value	Face Value	Current Value
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	100,000
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	121,854	130,000	112,823
0% note payable to Family Housing Fund. Principal balance due in full July 2026. Secured by mortgage.	149,000	113,053	149,000	104,678
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	139,500	72,218	139,500	66,868
1% note payable to the City of Minneapolis. Principal and accrued interest due in full July 2037.	332,000	132,502	332,000	124,415
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	224,041	646,000	199,881

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable (continued)

	December 31,			
	2022		2021	
	Face Value	Current Value	Face Value	Current Value
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	186,970	539,838	175,559
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	65,806	190,000	61,789
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 th Avenue, Minneapolis.	1,082,805	346,140	1,082,805	325,014
0% 30-year note payable to Minnesota Housing Finance Agency. Will be forgiven January 2022 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
\$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, 2023 Secured by cash accounts.	200,000	-	200,000	-

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable (continued)

	December 31,			
	2022		2021	
	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 th , 2012, 2101 Portland Avenue and 616-618 E. 22 nd Street, Minneapolis.	408,679	111,680	408,679	106,244
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 th , 2012, 2101 Portland Avenues and 616-618 E. 22nd Street, Minneapolis.	1,124,000	307,154	1,124,000	292,204
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 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). 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 nd Street, Minneapolis.	400,000	400,000	400,000	400,000

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable (continued)

	December 31,			
	2022		2021	
	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 nd 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 nd 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 nd 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 nd 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 nd Street, Minneapolis.	205,000	205,000	205,000	205,000

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

8. Notes Payable (continued)

	December 31,			
	2022		2021	
	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 nd St., Minneapolis.	148,000	<u>148,000</u>	148,000	<u>148,000</u>
		6,327,138		6,278,387
Less unamortized debt issuance		<u>34,820</u>		<u>40,955</u>
		6,292,318		6,237,432
Less Portion Due Within One (1) Year		<u>11,515</u>		<u>32,000</u>
Long-term Portion		<u>\$ 6,280,803</u>		<u>\$ 6,205,432</u>

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2023	\$ 11,515
2024	716,854*
2025	-
2026	113,053
2027	182,479
2028 and succeeding years	<u>5,303,237*</u>
Total	<u>\$ 6,327,138</u>

* Includes amounts that may be forgiven.

9. 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, 2022 AND 2021

9. 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 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

Changes in Endowment Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</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	291,419	130,000	421,419
Total Investment Return	(76,486)	-	(76,486)
Contributions	<u>-</u>	<u>8,000</u>	<u>8,000</u>
December 31, 2022	<u>\$ 214,933</u>	<u>\$ 138,000</u>	<u>\$ 352,933</u>

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

10. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets consisted of amounts for the following in the years ended:

	December 31,	
	2022	2021
Contracted Services	\$ 14,380	\$ 2,610

Contributed nonfinancial assets were utilized for programs and had no donor restrictions. Values were based on current market rates Hope would have paid had the contracted services not been donated.

11. 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, 2022 and 2021.

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, 2022 and 2021.

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 \$27,229 and \$26,230 for the years ended December 31, 2022 and 2021, respectively. The notes receivable are summarized as follows as of:

	December 31,	
	2022	2021
FPG II	\$ 224,000	\$ 224,000
FPG III	509,064	509,064
Total	\$ 733,064	\$ 733,064

The mortgages are expected to be collected in the year ending December 31, 2047. The accrued interest receivable on these notes is as follows as of:

	December 31,	
	2022	2021
FPG II	\$ 268,342	\$ 246,965
FPG III	82,150	76,298
Total	\$ 350,492	\$ 323,263

HOPE COMMUNITY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

12. Liquidity and Availability

The following represents Hope's financial assets at:

	December 31,	
	2022	2021
Financial Assets:		
Cash	\$ 1,598,909	\$ 1,419,801
Grants and Contributions Receivable	304,238	695,000
Accounts Receivable - Net	116,896	118,366
Total Financial Assets	2,020,043	2,233,167
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions-expiring	1,276,810	1,221,666
Net Assets With Restrictions to be met within a year	(1,147,571)	(863,333)
Total assets not available for general expenditures within one year:	129,239	358,333
Financial assets available for general expenditures within one year	\$ 1,890,804	\$ 1,874,834

Hope maintains a board-designated fund acting as endowment of \$214,933 and \$291,419 as of December 31, 2022 and 2021 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, 2022 AND 2021

13. 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>2022</u>	<u>2021</u>
Depreciation and Amortization Expense	\$ 643,822	\$ 637,623
Gain on Sale of Property	(94,094)	-
Unrealized (Gain) Loss on Investments	121,914	(117,145)
Release of Forgivable Loan	(45,100)	-
Amortization of Interest	142,129	83,362
Deferred Developer Fee	-	16,463
Accrued Interest Receivable	(27,228)	(26,230)
Other Assets	7,135	(5,595)
Accrued Interest Payable	99,298	116,380
Increases (Decreases) in Current Liabilities:		
Accounts Payable	40,566	(15,317)
Accrued Salaries and Vacation	2,085	28,568
Tenants' Deposits	(24,770)	24,595
Decreases (Increases) in Current Assets:		
Grants and Contributions Receivable	390,762	(359,750)
Accounts Receivable	1,470	(56,432)
Prepaid Expenses	(13,884)	(11,226)
Total Adjustments	<u>\$ 1,244,105</u>	<u>\$ 315,296</u>

ADDITIONAL INFORMATION

HOPE COMMUNITY, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

	Hope Community	Dundry House, LLC	Hope Block Stabilization Phase I, LLC	Franklin Port- land Gateway Phase I, LP	Elimination Entries	Total
Current Assets:						
Cash	\$ 1,070,869	\$ 120,525	\$ 58,745	\$ 348,770	\$ -	\$ 1,598,909
Grants and Contributions Receivable	304,238	-	-	-	-	304,238
Accounts Receivable-Net	61,296	17,506	8,022	30,072	-	116,896
Prepaid Expenses	26,300	8,169	3,334	13,635	-	51,438
Due from Affiliated Organization	533,020	-	-	-	(533,020)	-
Total Current Assets	<u>1,995,723</u>	<u>146,200</u>	<u>70,101</u>	<u>392,477</u>	<u>(533,020)</u>	<u>2,071,481</u>
Investments	635,047	-	-	-	-	635,047
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	350,491	-	-	-	-	350,491
Property - Net	255,699	2,554,961	568,727	5,393,826	-	8,773,213
Other Assets	63,423	-	-	-	-	63,423
TOTAL ASSETS	<u>\$ 5,602,945</u>	<u>\$ 2,701,161</u>	<u>\$ 638,828</u>	<u>\$ 5,786,303</u>	<u>\$ (1,833,020)</u>	<u>\$ 12,896,217</u>

LIABILITIES AND NET ASSETS AND EQUITY

Current Liabilities:						
Notes Payable	\$ 11,515	\$ -	\$ -	\$ -	\$ -	\$ 11,515
Accounts Payable	54,561	87,881	29,164	139,147	-	310,753
Accrued Salaries and Vacation	103,849	1,586	935	1,755	-	108,125
Tenants' Deposits	21,328	25,647	18,525	46,776	-	112,276
Due to Affiliated Organization	-	238,431	145,922	148,667	(533,020)	-
Total Current Liabilities	<u>191,253</u>	<u>353,545</u>	<u>194,546</u>	<u>336,345</u>	<u>(533,020)</u>	<u>542,669</u>
Accrued Interest Payable	123,532	-	-	885,913	-	1,009,445
Notes Payable	1,223,733	880,178	476,818	3,700,074	-	6,280,803
Total Liabilities	<u>1,538,518</u>	<u>1,233,723</u>	<u>671,364</u>	<u>4,922,332</u>	<u>(533,020)</u>	<u>7,832,917</u>
Net Assets and Equity:						
Without Donor Restrictions	2,649,617	1,467,438	(32,536)	863,971	(1,300,000)	3,648,490
With Donor Restrictions	1,414,810	-	-	-	-	1,414,810
Total Net Assets and Equity	<u>4,064,427</u>	<u>1,467,438</u>	<u>(32,536)</u>	<u>863,971</u>	<u>(1,300,000)</u>	<u>5,063,300</u>
TOTAL LIABILITIES AND NET ASSETS AND EQUITY	<u>\$ 5,602,945</u>	<u>\$ 2,701,161</u>	<u>\$ 638,828</u>	<u>\$ 5,786,303</u>	<u>\$ (1,833,020)</u>	<u>\$ 12,896,217</u>

See Independent Auditor's Report

HOPE COMMUNITY, INC.
 CONSOLIDATED STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2022

	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 of Financial Assets	\$ 2,158,417	\$ -	\$ -	\$ -	\$ -	\$ 2,158,417
Grants from Governmental Agencies	25,067	-	-	-	-	25,067
Contributions of Nonfinancial Assets	14,380	-	-	-	-	14,380
Rental Income	21,000	205,820	170,995	378,583	-	776,398
Program Fees	52,773	-	-	-	-	52,773
Investment Income (Loss)	(94,534)	1,270	55	56	-	(93,153)
Gain on Sale of Property	94,094	-	-	-	-	94,094
Other Income	31,573	25,231	3,138	36,277	-	96,219
Total Support and Revenue	2,302,770	232,321	174,188	414,916	-	3,124,195
Expense:						
Salaries	1,354,375	37,794	33,973	48,088	-	1,474,230
Employee Benefits	133,455	4,882	3,783	5,872	-	147,992
Payroll Taxes	133,030	3,484	3,138	4,470	-	144,122
Operating and Maintenance	12,773	185,567	75,552	181,618	-	455,510
Utilities	1,932	64,983	43,788	135,777	-	246,480
Interest	107,761	50,077	29,133	46,384	-	233,355
Client Support Services	171,101	-	-	-	-	171,101
Contracted Services	125,677	-	-	-	-	125,677
Bad Debt	117,676	-	-	-	-	117,676
Insurance	25,742	17,771	17,939	55,461	-	116,913
Real Estate Taxes	4,987	27,795	16,674	38,612	-	88,068
Professional Fees	70,949	2,200	1,174	2,787	-	77,110
Occupancy	51,047	-	-	-	-	51,047
Telephone	27,873	4,183	941	2,908	-	35,905
Training and Development	24,666	103	69	138	-	24,976
Licenses and Fees	11,924	2,122	2,751	5,446	-	22,243
Printing and Publicity	10,159	-	-	309	-	10,468
Supplies	4,169	475	17	77	-	4,738
Miscellaneous	(223)	724	1,705	507	-	2,713
Staff Travel and Mileage	2,386	-	-	3	-	2,389
Minor Equipment	1,892	-	-	-	-	1,892
Postage and Delivery	910	15	7	10	-	942
Depreciation and Amortization	37,995	204,527	121,622	279,678	-	643,822
	2,432,256	606,702	352,266	808,145	-	4,199,369
Change in Net Assets from Operations	(129,486)	(374,381)	(178,078)	(393,229)	-	(1,075,174)
Release of Forgivable Loan	-	45,100	-	-	-	45,100
Total Change in Net Assets	(129,486)	(329,281)	(178,078)	(393,229)	-	(1,030,074)
Net Assets and Equity - Beginning of Year	4,193,913	1,796,719	145,542	1,257,200	(1,300,000)	6,093,374
Net Assets and Equity - End of Year	\$ 4,064,427	\$ 1,467,438	\$ (32,536)	\$ 863,971	\$ (1,300,000)	\$ 5,063,300

See Independent Auditors Report

**Computation of Surplus Cash,
Distribution and Residual
Receipts**

**Minnesota Housing
Multifamily Department
Asset Management**

Project Name: Dundry House, LLC	Fiscal Period Ended: 12/31/2022	Loan # D4432
Location: 1829 5th Avenue S, Minneapolis, Minnesota 55404		

A. ALLOWABLE DISTRIBUTION

1 Partnership Initial Equity		
2 Rate of return on Equity		Manual Override
3 Maximum Distribution (per legal agreement)	<u>\$6,000.00</u>	<u>\$6,000.00</u>
4 Allowable Distribution from Operations		
5 Interest Earned on Development Cost Escrow		
6 Allowable Distribution for Fiscal Year	<u>(\$274,544.85)</u>	

B. COMPUTATION OF SURPLUS CASH

Cash		
7 Operating Cash Balance		\$4,256.31
8 Tenant Subsidy Receivable (Payable)		\$7,971.00
9 Interest Earned on Development Cost Escrow		
10 Deposits to Residual Receipts		
11 Deposits to FAF/DS savings		
12 Other (describe): Accts Receivable - Misc		\$2,800.00
(a) Cash Available to Meet Obligations (add lines 7 thru 12)		<u>\$15,027.31</u>
Current Obligations		
13 Accounts Payable Balance, trade		\$24,373.71
14 Accrued Interest on Amort. Mortgages		
15 Accrued MHFA Annual Fee		
16 Accrued FAF/FA Monthly Escrow		
17 Prepaid rents		\$4,590.00
18 Other (describe): Accounts Payable - Misc		\$25,027.46
Accounts Payable - Due to Own		\$235,580.99
(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)		<u>(\$274,544.85)</u>
19 Amount Available for Distribution		<u>\$0.00</u>
20 Net Amount to be Deposited to Residual Receipts		<u>(\$274,545.00)</u>

C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER

21 Required Deposit (From Sec. B) (line 20)		<u>(\$274,545.00)</u>
22 Less: Interest Earned on Development Cost Escrow		<u>\$0.00</u>
23 Deposits to Residual Receipts		<u>\$0.00</u>
24 Deposits to FAF/DS savings		<u>\$0.00</u>
25 Deposit required to Residual Receipts		<u>\$0.00</u>
26 Transfer from Res. Receipts or FAF/DS to operations		<u>\$274,545.00</u>

Was the Partnership in full compliance with all provisions of the "Distribution of Income and Assets" section of the first mortgage Regulatory Agreement with Minnesota Housing?

YES	NO
x	

If NO, please list below the non compliance findings:

**Computation of Surplus Cash,
Distribution and Residual
Receipts**

**Minnesota Housing
Multifamily Department
Asset Management**

Project Name: Hope Block Stabilization Phase I, LLC	Fiscal Period Ended: 12/31/2022	Loan #: D6249
Location: Minneapolis, Minnesota 55404		

A. ALLOWABLE DISTRIBUTION

1 Partnership Initial Equity	\$33,746.00	
2 Rate of return on Equity	15.00%	Manual Override
3 Maximum Distribution (per legal agreement)	\$5,062.00	
4 Allowable Distribution from Operations		
5 Interest Earned on Development Cost Escrow		
6 Allowable Distribution for Fiscal Year	(\$122,148.34)	

B. COMPUTATION OF SURPLUS CASH

Cash		
7 Operating Cash Balance	\$21,368.00	
8 Tenant Subsidy Receivable (Payable)	\$5,314.00	
9 Interest Earned on Development Cost Escrow		
10 Deposits to Residual Receipts		
11 Deposits to FAF/DS savings		
12 Other (describe): <u>Accts Receivable - Misc</u>	\$1,823.00	
(a) Cash Available to Meet Obligations (add lines 7 thru 12)	\$28,505.00	
Current Obligations		
13 Accounts Payable Balance, trade	\$5,070.28	
14 Accrued Interest on Amort. Mortgages		
15 Accrued MHFA Annual Fee		
16 Accrued FAF/FA Monthly Escrow		
17 Prepaid rents	\$1,352.89	
18 Other (describe): <u>Accounts Payable - Misc</u>	\$2,958.14	
<u>Accounts Payable - Due to Own</u>	\$141,272.03	
(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)	(\$122,148.34)	
19 Amount Available for Distribution	\$0.00	
20 Net Amount to be Deposited to Residual Receipts	(\$122,148.00)	

C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER

21 Required Deposit (From Sec. B) (line 20)	(\$122,148.00)
22 Less: Interest Earned on Development Cost Escrow	\$0.00
23 Deposits to Residual Receipts	\$0.00
24 Deposits to FAF/DS savings	\$0.00
25 Deposit required to Residual Receipts	\$0.00
26 Transfer from Res. Receipts or FAF/DS to operations	\$122,148.00

Was the Partnership in full compliance with all provisions of the "Distribution of Income and Assets" section of the first mortgage Regulatory Agreement with Minnesota Housing?

YES	NO
x	

If NO, please list below the non compliance findings:

**Computation of Surplus Cash,
Distribution and Residual
Receipts**

**Minnesota Housing
Multifamily Department
Asset Management**

Project Name: Franklin Portland Gateway Phase I	Fiscal Period Ended: 12/31/2022	Loan #: D4432
Location: 611 E. Franklin Avenue, Minneapolis, MN 55404		

A. ALLOWABLE DISTRIBUTION

1 Partnership Initial Equity	\$1,200,000.00	
2 Rate of return on Equity	15.00%	Manual Override
3 Maximum Distribution (per legal agreement)	\$180,000.00	
4 Allowable Distribution from Operations		
5 Interest Earned on Development Cost Escrow		
6 Allowable Distribution for Fiscal Year	(\$178,871.19)	

B. COMPUTATION OF SURPLUS CASH

Cash		
7 Operating Cash Balance	\$47,406.90	
8 Tenant Subsidy Receivable (Payable)	\$4,690.00	
9 Interest Earned on Development Cost Escrow		
10 Deposits to Residual Receipts		
11 Deposits to FAF/DS savings		
12 Other (describe): Accts Receivable - Misc	\$15,506.00	
(a) Cash Available to Meet Obligations (add lines 7 thru 12)	\$67,602.90	
Current Obligations		
13 Accounts Payable Balance, trade	\$78,558.12	
14 Accrued Interest on Amort. Mortgages		
15 Accrued MHFA Annual Fee		
16 Accrued FAF/FA Monthly Escrow		
17 Prepaid rents	\$2,970.00	
18 Other (describe): Accounts Payable - Misc	\$8,778.85	
Accounts Payable - Due to Own	\$156,167.12	
(b) Surplus Cash/(Deficiency) (line (a) minus Lines 13 thru 18)	(\$178,871.19)	
19 Amount Available for Distribution	\$0.00	
20 Net Amount to be Deposited to Residual Receipts	(\$178,871.00)	

C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER

21 Required Deposit (From Sec. B) (line 20)	(\$178,871.00)
22 Less: Interest Earned on Development Cost Escrow	\$0.00
23 Deposits to Residual Receipts	\$0.00
24 Deposits to FAF/DS savings	\$0.00
25 Deposit required to Residual Receipts	\$0.00
26 Transfer from Res. Receipts or FAF/DS to operations	\$178,871.00

Was the Partnership in full compliance with all provisions of the "Distribution of Income and Assets" section of the first mortgage Regulatory Agreement with Minnesota Housing?

YES	NO
x	

If NO, please list below the non compliance findings:
