

HOUSE OF HOPE OF THE PEE DEE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024
AND SIX-MONTH PERIOD ENDED JUNE 30, 2023

House of Hope of the Pee Dee

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Independent Auditor's Report

To the Board of Directors of
House of Hope of the Pee Dee
Florence, South Carolina

Opinion

We have audited the accompanying financial statements of House of Hope of the Pee Dee (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the year and the six-month periods then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Hope of the Pee Dee as of June 30, 2024 and 2023, and the changes in net assets and its cash flows for the year and six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of House of Hope of the Pee Dee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about House of Hope of the Pee Dee's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the House of Hope of the Pee Dee's internal control. Accordingly, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about House of Hope of the Pee Dee'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program expenses are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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.

Munn & Associates, PC

Munn & Associates, PC
Florence, South Carolina
November 13, 2024

HOUSE OF HOPE OF THE PEE DEE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	Operating Fund	Capital Fund	June 30, 2024	June 30, 2023
CURRENT ASSETS				
Cash and cash equivalents	\$ 310,518	\$ -	\$ 310,518	\$ 426,485
Employee receivable	-	-	-	5,407
Prepaid expenses	20,246	-	20,246	54,947
Lease deposits	3,500	-	3,500	3,500
Utility deposits	1,005	-	1,005	1,005
Right of use assets	215,592	-	215,592	336,396
Inventory	4,450	-	4,450	4,438
Investments	1,925,709	-	1,925,709	236,368
Total current assets	2,481,020	-	2,481,020	1,068,546
Property and equipment (net)	49,000	4,436,363	4,485,363	4,826,607
TOTAL ASSETS	\$ 2,530,020	\$ 4,436,363	\$ 6,966,383	\$ 5,895,153
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 12,273	\$ -	\$ 12,273	\$ 38,809
Other payables	36,217	-	36,217	35,635
Operating lease liability - current	65,364	-	65,364	65,719
Employee payroll deductions payable	-	-	-	1,783
Current portion of long-term debt	44,441	-	44,441	23,518
Total current liabilities	158,295	-	158,295	165,464
LONGTERM LIABILITIES				
Operating lease liability - noncurrent	150,228	-	150,228	\$ 270,677
Long-term debt, less current portion	1,095,825	-	1,095,825	1,256,842
Total longterm liabilities	1,246,053	-	1,246,053	1,527,519
TOTAL LIABILITIES	1,404,348	-	1,404,348	1,692,983
NET ASSETS				
Without donor restrictions	1,075,672	4,436,363	5,512,035	4,202,170
With donor restrictions	50,000	-	50,000	-
TOTAL NET ASSETS:	1,125,672	4,436,363	5,562,035	4,202,170
TOTAL LIABILITIES AND NET ASSETS	\$ 2,530,020	\$ 4,436,363	\$ 6,966,383	\$ 5,895,153

See Accompanying Notes and Independent Auditor's Report

**HOUSE OF HOPE OF THE PEE DEE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023**

	Without Donor Restrictions	With Donor Restrictions	Total	
			June 30, 2024	June 30, 2023
REVENUE AND OTHER SUPPORT				
Contributions of cash and other financial assets	\$ 2,355,035	\$ 50,000	\$ 2,405,035	\$ 779,925
Contributions of non-financial assets	347,650	-	347,650	-
Mission Mart sales (net)	634,381	-	634,381	360,120
Private grants	1,039,480	-	1,039,480	235,655
Program service fees	47,934	-	47,934	37,579
Disposal of assets	(333)	-	(333)	472
Investment income	93,407	-	93,407	14,247
Miscellaneous revenue	144,052	-	144,052	16,463
	<u>4,661,606</u>	<u>50,000</u>	<u>4,711,606</u>	<u>1,444,461</u>
EXPENSES				
Program services				
Men	419,806	-	419,806	209,291
Irby Mission Mart	670,220	-	670,220	305,404
The Community Shelter	484,833	-	484,833	229,954
Hope Village	496,412	-	496,412	194,898
ARC	503,981	-	503,981	150,905
	<u>2,575,252</u>	<u>-</u>	<u>2,575,252</u>	<u>1,090,452</u>
Total Program Services				
Supporting services				
Development services	489,840	-	489,840	255,498
Management and general	286,649	-	286,649	110,312
	<u>776,489</u>	<u>-</u>	<u>776,489</u>	<u>365,810</u>
Total supporting services				
Total expenses	<u>3,351,741</u>	<u>-</u>	<u>3,351,741</u>	<u>1,456,262</u>
Change in net assets before restriction releases	1,309,865	50,000	1,359,865	(11,801)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets after restriction releases	1,309,865	50,000	1,359,865	(11,801)
Net assets, beginning of year	<u>4,202,170</u>	<u>-</u>	<u>4,202,170</u>	<u>4,213,971</u>
NET ASSETS, END OF YEAR	<u><u>\$ 5,512,035</u></u>	<u><u>\$ 50,000</u></u>	<u><u>\$ 5,562,035</u></u>	<u><u>\$ 4,202,170</u></u>

HOUSE OF HOPE OF THE PEE DEE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Operating Fund	Capital Fund	June 30, 2024	June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	\$ 1,359,865	\$ -	\$ 1,359,865	\$ (11,801)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation	121,789	-	121,789	102,008
(Gain) loss on extinguishment of debt	(92,782)	-	(92,782)	-
Contribution of non-cash asset	(347,650)	-	(347,650)	-
Changes in operating assets and liabilities				
(Increase) decrease in employee receivables	5,407	-	5,407	(1,820)
(Increase) decrease in prepaid expenses	34,701	-	34,701	(21,098)
(Increase) decrease in investments	(1,689,341)	-	(1,689,341)	(114,581)
(Increase) decrease in inventory	(12)	-	(12)	(1,142)
Increase (decrease) in accounts payables	(26,536)	-	(26,536)	(3,010)
Increase (decrease) in other payables	582	-	582	(17,520)
Increase (decrease) payroll deductions payable	(1,783)	-	(1,783)	899
<i>Net cash provided (used in) from operating activities</i>	<u>(635,760)</u>	<u>-</u>	<u>(635,760)</u>	<u>(68,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(309,440)	-	(309,440)	(2,534,660)
Change in fixed assets in progress	211,000	-	211,000	1,918,529
Book value of disposals	665,547	-	665,547	-
<i>Net cash provided (used) in investing activities</i>	<u>567,107</u>	<u>-</u>	<u>567,107</u>	<u>(616,131)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from loan	165,000	-	165,000	1,280,766
Payments of long-term debt	(212,314)	-	(212,314)	(900,413)
<i>Net cash provided (used in) in financing activities</i>	<u>(47,314)</u>	<u>-</u>	<u>(47,314)</u>	<u>380,353</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(115,967)	-	(115,967)	(303,843)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	426,485	-	426,485	730,328
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 310,518</u>	<u>\$ -</u>	<u>\$ 310,518</u>	<u>\$ 426,485</u>
Interest paid	<u>\$ 95,802</u>	<u>\$ -</u>	<u>\$ 95,802</u>	<u>\$ 38,667</u>

See Accompanying Notes and Independent Auditor's Report

HOUSE OF HOPE OF THE PEE DEE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Program Services	Development Services	Management and General	June 30, 2024	June 30, 2023
Salaries & wages	\$1,557,731	\$ 208,131	\$ 133,107	\$1,898,969	\$ 783,417
Employee benefits	-	-	55,979	55,979	28,125
Payroll taxes	121,103	16,382	7,518	145,003	64,221
Total salaries and related expenses	<u>1,678,834</u>	<u>224,513</u>	<u>196,604</u>	<u>2,099,951</u>	<u>875,763</u>
Specific assistance to individuals	15,403	-	-	15,403	7,518
Conferences, meetings and training	5,217	2,268	833	8,318	6,693
Depreciation and amortization	106,989	-	14,800	121,789	102,008
Equipment expense and maintenance	108,938	1,279	4,862	115,079	29,647
Rentals	132,664	-	-	132,664	69,996
Insurance	72,091	904	11,014	84,009	36,521
Speaker fees	-	128,390	-	128,390	89,776
Interest & service charges	88,442	-	7,360	95,802	38,667
Local transportation	34,507	3,352	12,246	50,105	22,622
Meals & lodging	3,051	1,926	1,441	6,418	7,320
Miscellaneous	9,470	16,746	16,487	42,703	7,336
Occupancy	184,045	3,613	419	188,077	73,496
Postage	-	77,060	2,933	79,993	19,892
Professional fees and contract services	53,144	9,341	7,877	70,362	18,640
Promotion & printing	15,862	3,868	3,265	22,995	15,820
Subscriptions	899	10,596	143	11,638	18
Supplies	37,214	1,397	1,525	40,136	22,333
Telephone	28,482	4,587	4,840	37,909	15,196
TOTAL EXPENSES	<u><u>\$2,575,252</u></u>	<u><u>\$ 489,840</u></u>	<u><u>\$ 286,649</u></u>	<u><u>\$3,351,741</u></u>	<u><u>\$ 1,459,262</u></u>

See Accompanying Notes and Independent Auditor's Report

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies

Nature of Organization. House of Hope of the Pee Dee (Ministry) is a nonprofit corporation whose mission is to provide food, shelter, clothing, opportunity, and other assistance to the homeless, indigent, or low income in a nondenominational Christian setting. The Area Rescue Mission, Inc. was incorporated on January 22, 1990. The name was changed to New Life Rescue Ministries on April 17, 1997 and later changed to House of Hope of the Pee Dee on April 21, 2006.

The Ministry operates five facilities in the Florence area. The West Darlington Street location houses the business offices of the Ministry, the residence for men, and family housing in the Hope Village complex. Also, there is the Mission Mart on Irby Street, The Courtney McGinnis Graham Community Shelter for homeless and women and children on Church Street, and The Addiction Recovery Center located at the old Camp Sexton.

Fund Accounting. To ensure observation of limitations and restrictions placed on the use of available resources, the accounts of the Ministry are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specific activities or objections. The accounts of the Ministry are maintained in two self-balancing fund groups according to their nature and purpose as follows:

General Operating Fund – The general operating fund is used to account for the Ministry's operating activities.

Capital Fund – The capital fund is used to account for property, buildings, equipment, and legally restricted cash that is to be expended for property, buildings, and equipment and related debt payment. Also, included in this fund are investments either restricted or designated for capital repair and improvements where the income is either designated or restricted for those particular items. Revenue and expenses related to the capital fundraising campaign are also included in this fund.

Basis of Presentation. The consolidated financial statements are presented in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the Ministry adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the consolidated financial statements and notes to the Ministry's liquidity, financial performance, and cash flows.

Prior Year Summarized Comparative Information. The consolidated financial statements and certain notes include certain prior year summarized comparative information in total, but not by fund balance. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Ministry's consolidated financial statements as of June 30, 2023, from which the summarized comparative information was derived.

Significant Accounting Policies. The accounting and reporting policies of the Ministry comply with the accounting and reporting provisions of the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations*.

The Ministry changed its accounting and tax year from a calendar year to a fiscal year ending June 30th effective January 1, 2023.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (continued)

The sales of the Mission Mart are recorded when sales are made.

Residential fees are recorded when they are actually received from the residents.

Public Support and Revenue. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. The majority of contributions are received from a broad base of individuals, churches and businesses located in the Florence County, South Carolina, and Pee Dee geographical area.

The Ministry conducts several fundraisers per year through annual holiday mailings and newsletters. Contributions for each of these events are recorded as income as they are received.

Donated items sold in the thrift mart are recorded as mart sales when the products are sold to the customer. Gains and losses on investment and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions/Promises to Give. Contribution receivables are recognized upon notification of a donor's unconditional promise to give to the Ministry. Unconditional promises to give that are expected to be collected in less than one year are measured at net realizable value because that amount results in a reasonable estimate of fair value in accordance with the *Contributions Received* section of FASB ASC.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Changes in Net Assets as assets released from restrictions.

Donated Materials and Services. Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at their date of donation. The Ministry reports donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, the Ministry reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service. See Note 15 for details of contributions non-cash assets.

Donated services that do not require specialized skills or enhanced nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of time and services to the Ministry's program services and in its fund-raising campaigns, the value of which is not recorded in the accompanying financial statements.

Investments. The Ministry accounts for investments in accordance with FASB standard for investments held by not-for-profit organizations. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the Statement of Financial Position. Fair value of marketable equity and debt securities is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the Statement of Activities.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (continued)

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Cash and Cash Equivalents. For purposes of the Statement of Cash Flows, the Ministry considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit are not included in cash on the Statement of Cash Flows if their maturity is greater than three months.

Fixed Assets. It is the Ministry's policy to capitalize fixed assets over \$2,500. Lesser amounts are expensed. Purchased fixed assets are capitalized at cost. Donations of fixed assets are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Ministry reclassifies temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method.

Compensated Absences. It is the Ministry's policy to permit employees to accumulate a limited amount of earned, but unused vacation and sick pay. Unused vacation will be paid to employees upon separation from the Ministry's service but not unused sick pay. Accumulated unpaid holiday, vacation and sick pay are accrued as incurred.

Functional Allocation of Expenses. The costs of providing various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Ministry providing those services.

Deferred Revenue. Income from future events is deferred and recognized in the period the event occurs.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent 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. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Income taxes. The Ministry is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Ministry not to be a "private foundation" within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2024. The Ministry has adopted the provisions of the FASB standard on *Accounting for Uncertainty in Income Taxes* (ASC 740-10-25). The Ministry does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended June 30, 2024, no interest or penalties were recorded or included in the financial statements.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (continued)

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2021, 2022, the six-month period ended June 30, 2023, and the year ended June 30, 2024 are subject to examination by the IRS, generally for three years after they were filed. A short year return was filed for the period ending June 30, 2023.

Inventory. Inventory is stated at cost and consists of a specific category of items purchased for sale in the Mission Marts. This inventory is in addition to items that are donated items that are sold in the Mission Marts.

Land, Buildings, and Equipment. Property and equipment are carried at costs or, if donated, at the approximate fair value at the date of donation. Improvements or betterment of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposal are credited or charged operations currently. Depreciation is computed using the straight-line method over the estimated useful life of the asset generally as follows:

Buildings and improvements	10 - 40 years
Land improvements	10 - 39 years
Furniture, fixtures, and equipment	3 - 10 years

Fair Value Measurement. The FASB established a framework for measuring fair value and disclosing fair value measurements to financial statement users. Fair value is the price that would be received to sell an asset or paid to transfer a liability (referred to as the "exit price") in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for specific assets or liabilities at the measurement dates. The fair value should be based on assumptions that market participants would use, including consideration of nonperformance risk.

In determining fair value, the Ministry uses various valuation approaches. The FASB established a hierarchy for input used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Ministry. Unobservable inputs are inputs that reflect the Ministry's assumptions about assumptions market participants would use in pricing the assets or liabilities developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on observability of inputs as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets to which the Ministry has access.

Level 2: Inputs to the valuation methodology includes quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted markets prices that are observable for assets or liabilities; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (continued)

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example the type of asset or liability, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Ministry in determining fair value is greater for instruments categorized in Level 3.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an organization-specific measure. Therefore, even when market assumptions are not readily available, the Ministry's own assumptions are set to reflect those that the Ministry believes market participants would use in pricing the asset or liability at the measurement date.

Leases. The Ministry is a lessee in multiple noncancelable operating leases. If the contract provided the Ministry the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. ROU assets are also adjusted for the lease payments made, lease incentives received, and initial direct costs incurred.

Lease liabilities are initially and subsequently recognized based on the present value of future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

ROU assets for operating leases are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

ROU assets for finance leases are amortized on a straight-line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

The Ministry has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset or liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The Ministry has elected to use the practical expedient to not separate lease and non-lease components for all classes of leased assets.

The Ministry has elected the option to use the risk-free rate determined using a period comparable to the lease term as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to all classes of assets.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 1 – Summary of Significant Accounting Policies (continued)

Right-of-use assets and liabilities as of June 30, 2024 and 2023 are presented as separate line items on the Ministry's statement of financial position.

Employee Retention Credit. During the six-month period ended June 30, 2023, the Ministry received advanced payments under the Employee Retention Tax Credit (ERTC). The ERTC is a refundable credit against certain payroll taxes allowed to an eligible employer qualifying wages, which was established by the Coronavirus Act, Relief, and the Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The ministry recorded the payments received as a grant income.

Laws and regulations concerning government programs, including the ERTC established by the CARES Act, are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Ministry's claim for this credit. It is possible that some or all the funds received will need to be returned if found ineligible.

It should be noted that the company used by the Ministry for applying for benefits under the ERTC program is under investigation by the Internal Revenue Service for alleged fraud with respect to having fraudulently processing applications for ERTC payments.

Accounting Pronouncements Adopted.

Effective January 1, 2022, the Ministry adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets also referred to as gifts-in-kind and address presentation and disclosure of those contributed nonfinancial assets. The term "nonfinancial assets" includes fixed assets such as land, buildings, and equipment, use of fixed assets or utilities, materials, intangible assets, cryptocurrency, services, and unconditional promises of those assets. Under ASU 2020-07, organizations must present gifts-in-kind as a separate line item in the statement of activities, apart from gifts of cash and other financial assets. In addition to this presentation requirement, the gifts-in-kind must be broken down into categories (fixed assets, supplies, contributed services, etc.) in the notes to the financial statements. For each category of contributed nonfinancial assets recognized in the financial statements, further footnote disclosures are required under the ASU, including whether the gifts-in-kind were sold or used, among other disclosures. The provisions of ASU 2020-07 must be applied on a retrospective basis meaning that all periods presented in comparative financial statements must reflect the requirements of the new standard. Adoption of this standard had no effect on its net assets for the six-month period ending June 30, 2023 and the year ending December 31, 2022. There was a non-cash contribution in the year ended June 30, 2024. See Note 15 for details of contributions non-cash assets.

Recently Issued Accounting Standards.

No new accounting pronouncements were issued.

Note 2 – Concentrations

Contributions. The Ministry received 36.24% of its contributions from four donors in the year ended June 30, 2024 and 10.69% from one donor in the six-month period ended June 30, 2023.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

Note 3 – Employee Benefits Plan

The Ministry has a Savings Incentive Match Plan for Employees Individual Retirement Account (Simple IRA) Plan for the benefit of its employees. All employees, part-time and full-time, are eligible to contribute. The Ministry will match employee contributions up to 3% of the employee's income. For the year ended June 30, 2024 and the six-month period December 31, 2023, the Ministry contributed \$32,266 and \$13,944, respectively as an employer matching contribution.

Note 4 – Property and Equipment

The components of land, buildings, and equipment are recorded in the financial statements as follows:

	Estimated Useful	June 30, 2024	June 30, 2023
	Life in Years	Amount	Amount
Land		\$ 581,815	\$ 821,038
Land improvements	10 - 39	848,625	735,665
Buildings	10 - 40	2,855,991	2,904,251
Leasehold improvements	5 - 15	18,121	18,121
Furniture and fixtures	3 - 10	678,371	641,455
Machinery and equipment	3 - 10	537,987	493,062
Vehicles	5 - 7	249,510	171,260
Work in progress		49,000	260,000
		<u>5,819,420</u>	<u>6,044,852</u>
Less: accumulated depreciation		<u>(1,334,057)</u>	<u>(1,218,245)</u>
Total property and equipment (net)		<u>\$ 4,485,363</u>	<u>\$ 4,826,607</u>

Depreciation expense was \$121,789 for the year ended June 30, 2024, and \$102,008 for the six-month period ended June 30, 2023.

Note 5 – Business Line of Credit

The Ministry has a line of credit at a local bank.

	June 30, 2024	June 30, 2023
Total line of credit	\$ -	\$ 50,000
Credit line used	-	-
Available for future loans	<u>\$ -</u>	<u>\$ 50,000</u>

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

Note 6 – Cash and Cash Equivalents

Deposits are categorized into these three categories of credit risk:

- (1) Insured or collateralized with securities held by the Ministry or its agent in the Ministry's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the Ministry's name.
- (3) Collateralized with securities held by the pledging financial institution or by its trust department agent but not in the Ministry's name.

Deposits. The carrying amounts of the Ministry's deposits with financial institutions were \$309,018 on June 30, 2024, and \$424,665 on June 30, 2023, and the bank balances were \$326,807 on June 30, 2024, and \$426,107 on June 30, 2023. All bank balances, except \$59,831, were insured on June 30, 2024, and all bank balances, except \$72,855, were insured on June 30, 2023. Based on the above criteria, the Ministry's deposits on June 30, 2024 and 2023 are classified as follows

:

	June 30, 2024					June 30, 2023				
	CATEGORY			Unsecured &	Bank	CATEGORY			Unsecured &	Bank
	1	2	3	Uninsured	Balance	1	2	3	Uninsured	Balance
Deposits	\$ 266,976	\$ -	\$ -	\$ 59,831	\$ 326,807	\$ 353,252	\$ -	\$ -	\$ 72,855	\$ 426,107
Totals	\$ 266,976	\$ -	\$ -	\$ 59,831	\$ 326,807	\$ 353,252	\$ -	\$ -	\$ 72,855	\$ 426,107

Cash is invested as follows:

	June 30, 2024	June 30, 2023
Cash on hand	\$ 1,500	\$ 1,820
Cash in transit	-	-
Checking, non-interest bearing	309,018	424,665
Total	\$ 310,518	\$ 426,485

Note 7 – Operating Leases

On February 16, 2021, the Ministry signed a lease for five years for the Mission Mart on Irby Street. The monthly lease payment is \$10,800 plus a common area management fee of \$100.

On May 21, 2021, the Ministry signed a lease for five years for a copier for Administration located at the Darlington Street location. The monthly lease payment is \$97 plus a per copy fee.

On October 17, 2022, the Ministry signed a lease for five-year lease for a dishwasher for the Men's Ministry located at the Darlington Street location. The monthly lease payment is \$109 plus a cycle fee for each use.

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

Note 8 – Long-term Debt

The long-term debt balances on June 30, 2024 and 2023 are as follows:

	June 30, 2024	June 30, 2023
5.00% fixed note payable to a corporate lender with principal and interest due December 1, 2024.	\$ -	\$ 200,000
6.00% fixed note payable to a bank with interest only payable for six months then monthly payments of \$8,655 (P&I) beginning November 6, 2023 with a balloon of the balance of principal and interest due on April 6, 2028 secured by the Darlington Street property.	1,100,000	1,035,000
8.14% fixed note payable to a finance company due in monthly payments of \$717 (P&I) for seven years.	40,266	45,360
Less: current portion of long-term debt	(44,441)	(23,518)
Long-term debt	\$ 1,095,825	\$ 1,256,842

Interest expenses incurred and paid were \$95,802 for the year ended June 30, 2024 and \$38,667 for the six-month period ended June 30, 2023. No interest was capitalized.

NOTE 9 – Investments

The Ministry has investments in four burial plots and an endowment fund. Contributions to the endowment fund are deposited in a local community foundation. Funds deposited with the local community foundation are invested in accordance with their investment policy. Fair value and unrealized appreciation on June 30, 2024 and 2023 are as follows:

	June 30, 2024	June 30, 2023
Burial plots	\$ 6,800	\$ 6,800
Endowment fund	549,301	225,568
The Woods	938,743	-
FEMA buildings	430,865	-
	\$ 1,925,709	\$ 232,368

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 10 – Credit Risk

Financial instruments that potentially subject the Ministry to credit risk consist principally of cash at financial institutions. At times, the balances in cash accounts may be in excess of FDIC insurance limits and other pledged assets. Management continuously monitors the Ministry's balances at financial institutions.

NOTE 11 – Summary of Fair Value Exposure

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and 2023:

June 30, 2024					
Description	Assets Measured At Net Asset Value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Burial plots	\$ -	\$ 6,800	\$ -	\$ -	\$ 6,800
Endowment Fund	-	549,301	-	-	549,301
The Woods		938,743			938,743
FEMA buildings		430,865			430,865
	\$ -	\$ 1,925,709	\$ -	\$ -	\$ 1,925,709
June 30, 2023					
Description	Assets Measured At Net Asset Value	Level 1	Level 2	Level 3	Total
<u>Assets</u>					
Burial plots	\$ -	\$ 6,800	\$ -	\$ -	\$ 6,800
Endowment Fund	-	229,568	-	-	229,568
	\$ -	\$ 236,368	\$ -	\$ -	\$ 236,368

Note 12 – Liquidity and Availability of Funds

The Ministry's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	June 30, 2024	June 30, 2023
Cash - General Checking	\$ 241,128	\$ 379,684
Cash - Mechants Checking	67,890	9,870
Cash in transit	-	-
Petty Cash and Cash Drawers	1,500	1,820
Employee receivable	-	5,407
Total financial assets available to meet general expenditures within the next 12 months	\$ 310,518	\$ 396,781

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 13 – LEASES – LESSEES (After the adoption of FASB ASC 842)

The Ministry leases a building, copier, and dishwasher under operation leases for 5-year terms.

All of the agreements provide for minimum lease payments with no adjustments for inflation. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of June 30, 2024 and 2023:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Operating lease right-of-use assets	<u>\$215,592</u>	<u>\$336,396</u>
Operating lease liabilities - current	\$65,364	\$65,719
Operating lease liabilities - noncurrent	<u>150,228</u>	<u>270,677</u>
Total operating lease liabilities	<u>\$215,592</u>	<u>\$336,396</u>

The components of operating lease expenses that are included in "Rentals" on the Statement of Functional Expenses for the year ended June 30, 2024 and the six-month period ended June 30, 2023 were as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Operating lease cost	\$ 132,664	\$ 66,392
Other expenses	<u>-</u>	<u>604</u>
Total rentals	<u>\$ 132,664</u>	<u>\$ 66,996</u>

The following summarizes the cash flow information related to operating leases for the year ended June 30, 2024 and the six-month period ended June 30, 2023.

Cash paid for amounts included in the measurement of lease liabilities:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Operating cash flows for leases		
Leased assets obtained in exchanged for lease liability	<u>\$ -</u>	<u>\$ -</u>
Operating leases	<u>\$ -</u>	<u>\$ -</u>

Weighted average lease term and discount rate as of June 30, 2024 and 2023 were as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Weighted average remaining lease term	1.685 years	3.157 years
Weighted average discount rate	3.515%	3.503%

House of Hope of the Pee Dee
Notes to Financial Statements
Year Ended June 30, 2024 and the Six-Month Period Ended June 30, 2023

NOTE 13 – LEASES – LESSEES (After the adoption of FASB ASC 842) (continued)

The maturities of operating lease liabilities as of June 30, 2023:

Fiscal year June 30, 2025	\$	132,070
Fiscal year June 30, 2026		87,998
Fiscal year June 30, 2027		1,162
Fiscal year June 30, 2028		1,162
Fiscal year June 30, 2029		98
Total lease payments		222,490
Less: Interest		(6,898)
Present value of lease liability	\$	215,592

NOTE 14 – Mission Mart

A limited liability company was formed in South Carolina by the Ministry to replace the Mission Mart. The new company is named Hope Thrift, LLC and is wholly owned by the House of Hope of the Pee Dee.

On April 1, 2024, Hope Thrift LLC entered into a Management Agreement with SMCo Thrift, LLC. This agreement permits SMCo Thrift, LLC to run the daily operations of the mart.

On April 19, 2024, House of Hope of the Pee Dee transferred all furniture, fixtures, equipment, leasehold improvements, inventory, supplies, goodwill, and accompanying files and records associated with or used in the business were transferred to Hope Thrift, LLC. Cash, credit card receivables, accounts receivable, and rebates were not transferred.

On May 2, 2024, Hope Thrift LLC's operating agreement was adopted by the House of Hope of the Pee Dee, as the sole member, and agreed to by Jon Weiss, Jr., as the initial manager.

NOTE 15 – Contributions of Non-Cash Assets

The Ministry received a contribution of land during the current year. The land was recognized as an in-kind contribution at fair market value which was supported by an appraisal. The future use of the land is currently under consideration by the Ministry. Options for the use include future expansion of the Ministry's mission or sale. No restrictions for use were placed on the property by the donors.

NOTE 16 – Restricted Contribution

The restricted cash is a contribution from a local municipality for the expectation of the House of Hope of the Pee Dee expanding services into their area.

NOTE 17 – Evaluation of Subsequent Events

The Ministry has evaluated subsequent events through November 13, 2024, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**HOUSE OF HOPE OF THE PEE DEE
SCHEDULES OF PROGRAM EXPENSES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

	Men	Irby Mission Mart	The Community Shelter	Hope Village	The ARC	June 30, 2024	June 30, 2023
						Total Program Expenses	Total Program Expenses
Salaries & wages	\$ 277,889	\$ 382,941	\$ 376,249	\$ 276,480	\$ 244,172	\$ 1,557,731	\$ 615,013
Employee benefits	-	-	-	-	-	-	-
Payroll taxes	23,822	28,514	28,726	21,378	18,663	121,103	50,160
Counselor	-	-	-	-	-	-	-
Total salaries & related expenses	301,711	411,455	404,975	297,858	262,835	1,678,834	665,173
Specific assistance to individuals	6,387	-	7,169	1,847	-	15,403	7,518
Conferences, meeting & training	1,025	418	1,374	1,025	1,375	5,217	3,181
Depreciation & amortization	(15,970)	(3,082)	(30,296)	113,919	42,418	106,989	97,290
Equipment expense & maintenance	18,275	1,588	33,654	10,719	44,702	108,938	27,981
Rentals	-	132,664	-	-	-	132,664	66,996
Insurance	12,851	20,694	12,849	12,849	12,848	72,091	31,945
Speaker fees	-	-	-	-	-	-	-
Interest & sevice charges	-	16,469	-	-	71,973	88,442	34,238
Local transportation	20,550	7,188	1,087	4,613	1,069	34,507	19,206
Meals & lodging	759	931	455	354	552	3,051	3,769
Miscellaneous	1,858	1,649	1,494	1,967	2,502	9,470	3,253
Occupancy	44,543	49,869	25,683	29,028	34,922	184,045	69,989
Postage	-	-	-	-	-	-	-
Professional fees & contract services	10,163	12,405	10,886	9,811	9,879	53,144	16,708
Promotion & printing	2,898	4,397	3,647	2,704	2,216	15,862	12,271
Subscriptions	226	49	208	208	208	899	18
Supplies	9,182	7,554	6,664	4,484	9,330	37,214	20,748
Telephone	5,348	5,972	4,984	5,026	7,152	28,482	10,168
Total expenses	\$ 419,806	\$ 670,220	\$ 484,833	\$ 496,412	\$ 503,981	\$ 2,575,252	\$ 1,090,452