

HOPE INSPIRED MINISTRIES, INC.

SEPTEMBER 30, 2020

FINANCIAL STATEMENTS

HOPE INSPIRED MINISTRIES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope Inspired Ministries, Inc.

We have audited the accompanying financial statements of Hope Inspired Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Inspired Ministries, Inc. as of September 30, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Branum & Company, P.C.

Greenville, Alabama

August 10, 2021

HOPE INSPIRED MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	\$ 119,360
Accounts receivable	65,838
Marketable securities	<u>98,258</u>
Total current assets	<u>283,456</u>
PROPERTY AND EQUIPMENT, AT COST:	
Building, equipment and leasehold improvements	213,901
Less: Accumulated depreciation	<u>10,663</u>
Total property and equipment	<u>203,238</u>
Total assets	<u><u>\$ 486,694</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 9,185
Current maturities on long term debt	5,178
PPP loan payable	45,000
Accrued payroll and withholdings	<u>24,367</u>
Total current liabilities	<u>83,730</u>
LONG-TERM DEBT, less current maturities	<u>151,541</u>
Total liabilities	<u>235,271</u>
NET ASSETS:	
Without donor restrictions	<u>251,423</u>
Total net assets	<u>251,423</u>
Total liabilities and net assets	<u><u>\$ 486,694</u></u>

The accompanying notes are an integral part of these financial statements.

HOPE INSPIRED MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30 2020

	Without Donor Restrictions
SUPPORT AND REVENUE:	
Grant income	\$ 552,391
Donations	356,772
Investment income	10,012
Miscellaneous income	5,680
Total support and revenue	924,855
EXPENSES:	
Program services	722,199
General and administrative	107,420
Fundraising	49,116
Total expenses	878,735
INCREASE (DECREASE) IN NET ASSETS	46,120
NET ASSETS AT BEGINNING OF PERIOD	205,303
NET ASSETS AT END OF YEAR	\$ 251,423

The accompanying notes are an integral part of these financial statements.

HOPE INSPIRED MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	PROGRAM SERVICES	GENERAL AND ADMINISTRATIVE	FUND RAISING	TOTAL EXPENSES
Salaries	\$ 484,164	\$ 56,961	\$ 28,480	\$ 569,605
Employee benefits	45,341	5,334	2,667	53,342
Payroll taxes	41,492	4,881	2,441	48,814
 Total personnel	 <u>570,997</u>	 <u>67,176</u>	 <u>33,588</u>	 <u>671,761</u>
 Advertising & public relations	 12,217		 12,217	 24,434
Travel & meetings	8,175	908		9,083
Staff development	4,805			4,805
Depreciation	4,596			4,596
Dues and subscriptions	1,178		1,179	2,357
Student expense	39,588			39,588
Classroom expense	8,480			8,480
Insurance expense	13,952	1,642	821	16,415
Miscellaneous	14,311			14,311
Office supplies and expense	13,731	5,885		19,616
Computer expense	2,241			2,241
Program expense	180			180
Accounting		19,845		19,845
Interest expense		9,288		9,288
Repairs and maintenance	3,723			3,723
Fundraising			1,311	1,311
Rent	10,703	2,676		13,379
Telephone	3,996			3,996
Utilities	9,326			9,326
 Total functional expenses	 <u>\$ 722,199</u>	 <u>\$ 107,420</u>	 <u>\$ 49,116</u>	 <u>\$ 878,735</u>

The accompanying notes are an integral part of these financial statements.

HOPE INSPIRED MINISTRIES, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:	
Increase in net assets	\$ 46,120
Adjustments to reconcile change in net assets to cash used for operating activities:	
Depreciation	4,596
Loss on disposal of equipment	3,084
Decrease in fair value of investments	27,991
Increase in accounts receivable	(33,538)
Increase in accounts payable	3,609
Increase in accrued liabilities	<u>8,524</u>
Net cash from operating activities	<u>60,386</u>
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:	
Proceeds from PPP loan	45,000
Payment on long term debt	<u>(4,207)</u>
Net cash from investing activities	<u>40,793</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,179
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,181</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 119,360</u></u>
SUPPLEMENTAL DATA:	
Interest paid	\$ 9,288

The accompanying notes are an integral part of these financial statements.

HOPE INSPIRED MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Hope Inspired Ministries, Inc. (the Organization) is an Alabama nonprofit organization designed to provide job training to low-income families.

Basis of accounting and presentation - The accounting records of the Organization are maintained using the accrual basis of accounting. Revenue is recognized when it is earned and expenses are recognized when they are incurred. Net assets, revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as net assets without donor restrictions and net assets with donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor-imposed restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified and reported in the Statement of Activities as net assets released from restriction.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Organization has no net assets with donor restrictions.

Cash and cash equivalents - For the purposes of cash flows, the Organization considers all cash and liquid investments with a maturity of three months or less to be cash equivalents.

Fair value measurements - The Organization follows the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification as assumptions market participants would use in pricing an asset or liability. The Organization has no assets that would be categorized as Level 2 or 3 in the fair value hierarchy.

HOPE INSPIRED MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Accounts receivable - Accounts receivable are stated at unpaid balances. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Contributed merchandise and other in-kind contributions - Contributed merchandise and other in-kind contributions, including equipment, are reflected as contributions at their estimated fair values when received or when an unconditional promise to give has been received by the Organization.

Contributed services - Donated services are reflected at the estimated fair market value of such services except for individual's volunteer time which does not meet the criteria for recognition as contributed services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's program services.

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is recorded as an increase to net assets in the reporting period in which the income and gains are recognized.

Property and equipment - Purchased property and equipment is recorded at cost. Donations of property and equipment 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.

Depreciation is computed using the straight line method over the estimated useful lives of the assets in service. It is the Organization's policy to capitalize significant additions and improvements. Disbursements for maintenance, repairs and minor renovations are recorded as expenses as incurred.

The estimated useful lives used to compute depreciation are as follows:

Property and equipment	5 - 7 years
Buildings	39 years

Income tax status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is made in the financial statements.

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 certain reported

HOPE INSPIRED MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)
amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional allocation of expenses - The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which is allocated on a square footage basis; and supplies and telephone costs which are allocated based on usage.

Subsequent events - Subsequent events have been evaluated through August 10, 2021, which is the date the financial statements were issued.

NOTE 2 - CASH:

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization has \$283,456 of financial assets available within one year of financial position date to meet cash needs for general operating expenditures that is, without donor or other restrictions limiting their use, consisting of cash and cash equivalents of \$119,360, accounts receivable of \$65,838, and short-term investments of \$98,258.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

Financial instruments that potentially subject the Organization to credit risk are primarily accounts receivable. The Organization extends unsecured credit to Grantor agencies for reimbursement of grant expenditures.

NOTE 5 - LEASES:

The Organization rents office space on a verbal lease. Effective March 2020 the monthly rent was changed from \$560 per month to \$1,500 per month. Rent expenditures were \$13,379 for the year ended September 30, 2020.

The Organization leases out part of its Montgomery location for \$500 per month on a lease that expires August 2021. Rental income under this lease amounted to \$5,500 for the year ended September 30, 2020.

HOPE INSPIRED MINISTRIES, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020

NOTE 6 - INVESTMENTS:

Investments consist primarily of securities traded on the national stock exchange. Investments are reported at fair value and are composed of the following:

	Cost	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)
September 30, 2020			
Mutual funds	\$ 87,867	\$ 98,258	\$ 98,258

Net investment return is reported in the statement of activities and consists of income from investments (interest and dividend income, realized and unrealized capital gains and losses) less any external investment expenses.

Investment income includes \$7,591 increase in fair value over cost in the year ended September 30, 2020.

NOTE 7 - LONG-TERM DEBT:

Long-term debt at September 30, 2020 consists of the following:

DESCRIPTION	
Note Payable - Cadence Bank; secured by real estate; interest rate 5.5%; payments of \$1,125 per month through May 2029, include interest.	<u>\$ 156,719</u>
Less: Current portion	<u>5,178</u>
Totals	<u><u>\$ 151,541</u></u>

Maturities of long-term debt are as follows:

Year ending September 30:

2022	\$ 5,178
2023	5,474
2024	5,788
2025	6,119
2026	6,469
Thereafter	<u>127,691</u>
Totals	<u><u>\$ 156,719</u></u>

Interest expense was \$9,288 for the year ended September 30, 2020.

HOPE INSPIRED MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8 - PPP NOTE PAYABLE:

In April 2020, the Organization applied for and received funds of \$45,000 as part of the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP). The proceeds from the loan were used to fund payroll and other specific costs outlined in the program for an eight week or twenty-four week period after receipt of the proceeds. The Organization will apply for loan forgiveness as stated in the loan documents, with any unforgiven amounts to be converted to a term loan, payable over 2 years at 1% interest. Management expects the note payable to be fully forgiven during the 2021 fiscal year.

NOTE 9 - RISKS AND UNCERTAINTIES:

In March 2020, the United States and global financial markets experienced significant volatility resulting from the uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net position as a result of the pandemic. The Organization does not expect this matter to negatively impact its overall results. However, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and demand for crisis relief services, all of which are highly uncertain and cannot be predicted at this time.