

Hope Fellowship Ministries

Financial Statements

as of

December 31, 2022 and 2021

Together with

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hope Fellowship Ministries
Frisco, Texas

Opinion

We have audited the accompanying financial statements of Hope Fellowship Ministries (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Fellowship Ministries 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 Financial Statements section of our report. We are required to be independent of Hope Fellowship Ministries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

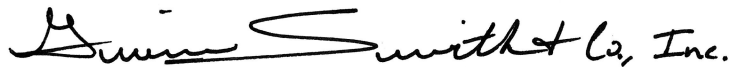
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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



Irving, Texas
June 23, 2023

HOPE FELLOWSHIP MINISTRIES

Statements of Financial Position December 31, 2022 and 2021

Assets:	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents.....	\$ 6,078,721	\$ 7,814,699
Prepaid expenses.....	<u>187,805</u>	<u>102,095</u>
Total current assets.....	<u>6,266,526</u>	<u>7,916,794</u>
Property, buildings, and equipment, at cost:		
Land and improvements.....	6,092,464	6,092,464
Buildings and improvements.....	34,453,414	34,093,272
Furniture, fixtures, and equipment.....	4,003,945	3,200,488
Finance lease right-of-use assets.....	872,509	872,509
Operating lease right-of-use assets.....	153,541	217,490
Construction in process.....	<u>7,671,898</u>	<u>549,233</u>
	53,247,771	45,025,456
Less allowance for accumulated depreciation and amortization.....	<u>(13,624,529)</u>	<u>(12,113,205)</u>
Net property, buildings, and equipment.....	<u>39,623,242</u>	<u>32,912,251</u>
Deposits.....	<u>44,009</u>	<u>-</u>
Total assets.....	<u>\$ 45,933,777</u>	<u>\$ 40,829,045</u>

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

HOPE FELLOWSHIP MINISTRIES

Statements of Financial Position December 31, 2022 and 2021

Liabilities and net assets:	2022	2021
Current liabilities:		
Current portion of notes payable	\$ 667,563	\$ 651,113
Current portion of finance lease liabilities.....	14,757	194,860
Current portion of operating lease liabilities	42,659	40,887
Accounts payable.....	941,815	142,898
Accrued liabilities.....	87,116	216,929
Deferred revenue.....	65,030	29,350
Deferred insurance proceeds.....	512,150	-
Total current liabilities.....	<u>2,331,090</u>	<u>1,276,037</u>
Long-term liabilities:		
Notes payable, net of current portion and debt issuance costs	17,619,159	16,965,166
Finance lease liabilities, net of current portion	-	19,096
Operating lease liabilities, net of current portion	110,882	153,541
Total long-term liabilities.....	<u>17,730,041</u>	<u>17,137,803</u>
Total liabilities.....	<u>20,061,131</u>	<u>18,413,840</u>
Net assets:		
Net assets without donor restrictions.....	23,361,954	22,415,205
Net assets with donor restrictions.....	2,510,692	-
Total net assets.....	<u>25,872,646</u>	<u>22,415,205</u>
Total liabilities and net assets.....	<u>\$ 45,933,777</u>	<u>\$ 40,829,045</u>

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

HOPE FELLOWSHIP MINISTRIES

Statement of Activities For the Year Ended December 31, 2022

Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Tithes and offerings.....	\$ 16,509,145	\$ -	\$ 16,509,145
Sales and event registration.....	868,694	-	868,694
Christian education revenue.....	57,515	-	57,515
Missions and outreach offerings.....	-	768,531	768,531
Building fund contributions.....	-	2,510,692	2,510,692
Net assets released from restrictions.....	<u>768,531</u>	<u>(768,531)</u>	<u>-</u>
Total support and revenue.....	<u>18,203,885</u>	<u>2,510,692</u>	<u>20,714,577</u>
Operating expenses:			
Program services:			
Church activities.....	12,127,167	-	12,127,167
Christian education.....	308,867	-	308,867
Missions and outreach.....	2,709,003	-	2,709,003
Supporting activities:			
General and administrative.....	<u>2,140,147</u>	<u>-</u>	<u>2,140,147</u>
Total operating expenses.....	<u>17,285,184</u>	<u>-</u>	<u>17,285,184</u>
Excess of support and revenue over operating expenses.....	<u>918,701</u>	<u>2,510,692</u>	<u>3,429,393</u>
Other income and expenses:			
Interest income.....	24,056	-	24,056
Gain on disposal of property and equipment.....	<u>3,992</u>	<u>-</u>	<u>3,992</u>
Total other income and expenses.....	<u>28,048</u>	<u>-</u>	<u>28,048</u>
Increase in net assets.....	946,749	2,510,692	3,457,441
Net assets, beginning of year.....	<u>22,415,205</u>	<u>-</u>	<u>22,415,205</u>
Net assets, end of year.....	<u>\$ 23,361,954</u>	<u>\$ 2,510,692</u>	<u>\$ 25,872,646</u>

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

HOPE FELLOWSHIP MINISTRIES

Statement of Activities For the Year Ended December 31, 2021

Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Tithes and offerings.....	\$ 17,106,929	\$ -	\$ 17,106,929
Sales and event registration.....	564,191	-	564,191
Christian education revenue.....	60,494	-	60,494
Missions and outreach offerings.....	-	174,219	174,219
Building fund contributions.....	-	759,574	759,574
Net assets released from restrictions.....	<u>933,793</u>	<u>(933,793)</u>	<u>-</u>
Total support and revenue.....	<u>18,665,407</u>	<u>-</u>	<u>18,665,407</u>
Operating expenses:			
Program services:			
Church activities.....	11,436,884	-	11,436,884
Christian education.....	332,504	-	332,504
Missions and outreach.....	1,830,402	-	1,830,402
Supporting activities:			
General and administrative.....	<u>1,929,118</u>	<u>-</u>	<u>1,929,118</u>
Total operating expenses.....	<u>15,528,908</u>	<u>-</u>	<u>15,528,908</u>
Excess of support and revenue over operating expenses.....	<u>3,136,499</u>	<u>-</u>	<u>3,136,499</u>
Other income and expenses:			
Interest income.....	16,344	-	16,344
Gain on disposal of property and equipment.....	<u>12,720</u>	<u>-</u>	<u>12,720</u>
Total other income and expenses.....	<u>29,064</u>	<u>-</u>	<u>29,064</u>
Increase in net assets.....	3,165,563	-	3,165,563
Net assets, beginning of year.....	<u>19,249,642</u>	<u>-</u>	<u>19,249,642</u>
Net assets, end of year.....	<u>\$ 22,415,205</u>	<u>\$ -</u>	<u>\$ 22,415,205</u>

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

HOPE FELLOWSHIP MINISTRIES

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services			Supporting Activities	Total
	Church activities	Christian education	Missions and outreach	General and administrative	
Personnel.....	\$ 6,469,444	\$ 277,876	\$ 317,315	\$ 1,657,061	\$ 8,721,696
Contributions, benevolence, and academic support.....	117,201	30,991	1,794,310	-	1,942,502
Depreciation and amortization.....	1,353,338	-	147,897	89,056	1,590,291
Equipment and supplies.....	1,363,970	-	67,888	30,175	1,462,033
Interest.....	633,121	-	69,190	41,663	743,974
Facility maintenance.....	647,821	-	40,836	24,590	713,247
Camps and retreats.....	400,892	-	-	-	400,892
Utilities.....	271,029	-	29,619	17,835	318,483
Travel.....	-	-	203,735	-	203,735
Bank fees.....	-	-	-	199,812	199,812
Rent.....	184,561	-	-	-	184,561
Software and programming.....	123,851	-	13,535	8,150	145,536
Other.....	131,970	-	2,978	7,155	142,103
Insurance.....	118,584	-	12,959	7,803	139,346
Advertising.....	122,438	-	-	-	122,438
Security.....	104,228	-	-	-	104,228
Telephone and internet.....	60,955	-	6,662	4,011	71,628
Legal and accounting.....	-	-	-	51,584	51,584
Transportation.....	<u>23,764</u>	<u>-</u>	<u>2,079</u>	<u>1,252</u>	<u>27,095</u>
Total.....	<u>\$ 12,127,167</u>	<u>\$ 308,867</u>	<u>\$ 2,709,003</u>	<u>\$ 2,140,147</u>	<u>\$ 17,285,184</u>

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

HOPE FELLOWSHIP MINISTRIES

Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services			Supporting Activities	Total
	Church activities	Christian education	Missions and outreach	General and administrative	
Personnel.....	\$ 6,246,636	\$ 267,370	\$ 305,211	\$ 1,516,020	\$ 8,335,237
Depreciation and amortization.....	1,332,807	-	148,174	89,223	1,570,204
Contributions, benevolence, and academic support.....	229,349	56,317	1,060,910	-	1,346,576
Equipment and supplies.....	838,033	-	6,279	12,662	856,974
Interest.....	727,904	-	79,548	47,900	855,352
Facility maintenance.....	607,809	-	34,847	20,983	663,639
Camps and retreats.....	313,784	-	-	-	313,784
Utilities.....	214,027	-	23,389	14,084	251,500
Software and programming.....	150,544	-	14,313	8,619	173,476
Rent.....	172,850	-	-	-	172,850
Bank fees.....	-	-	-	147,677	147,677
Travel.....	-	-	132,304	-	132,304
Advertising.....	116,919	8,817	-	-	125,736
Audio, video, production and staging.....	125,429	-	-	-	125,429
Insurance.....	103,517	-	11,313	6,812	121,642
Other.....	95,248	-	5,301	9,829	110,378
Security.....	81,384	-	-	-	81,384
Telephone and internet.....	67,875	-	7,418	4,467	79,760
Legal and accounting.....	-	-	-	50,002	50,002
Transportation.....	<u>12,769</u>	<u>-</u>	<u>1,395</u>	<u>840</u>	<u>15,004</u>
Total.....	<u>\$ 11,436,884</u>	<u>\$ 332,504</u>	<u>\$ 1,830,402</u>	<u>\$ 1,929,118</u>	<u>\$ 15,528,908</u>

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

HOPE FELLOWSHIP MINISTRIES

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from operations.....	\$ 18,239,565	\$ 18,006,937
Cash paid for operating expenses.....	(15,117,465)	(13,046,841)
Interest received.....	24,056	16,344
Interest paid.....	(732,314)	(847,202)
Proceeds from insured loss.....	512,150	-
Payments on operating lease liabilities.....	(48,360)	(23,062)
Net cash provided by operating activities.....	<u>2,877,632</u>	<u>4,106,176</u>
Cash flows from investing activities:		
Capital expenditures.....	(6,210,021)	(885,918)
Capitalized interest.....	(64,051)	-
Net cash used in investing activities.....	<u>(6,274,072)</u>	<u>(885,918)</u>
Cash flows from financing activities:		
Principal payments on notes payable.....	(651,031)	(625,529)
Principal payments on finance lease liabilities.....	(199,199)	(190,114)
Contributions restricted for capital additions.....	<u>2,510,692</u>	<u>759,574</u>
Net cash provided by (used in) financing activities.....	<u>1,660,462</u>	<u>(56,069)</u>
Net change in cash and cash equivalents.....	(1,735,978)	3,164,189
Cash and cash equivalents, beginning of year.....	<u>7,814,699</u>	<u>4,650,510</u>
Cash and cash equivalents, end of year.....	<u>\$ 6,078,721</u>	<u>\$ 7,814,699</u>

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

HOPE FELLOWSHIP MINISTRIES

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets.....	\$ 3,457,441	\$ 3,165,563
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization.....	1,590,291	1,570,204
Amortization of loan fees.....	10,445	10,445
Gain on disposals of property and equipment.....	(3,992)	(12,720)
Contributions restricted for capital additions.....	(2,510,692)	(759,574)
Changes in operating assets and liabilities:		
Accounts receivable.....	-	(75)
Prepaid expenses.....	(85,711)	(44,098)
Accounts payable.....	45,841	51,454
Accrued liabilities.....	(129,812)	100,214
Deferred revenue.....	35,680	24,763
Deferred insurance proceeds.....	512,150	-
Other assets.....	(44,009)	-
Total adjustments.....	(579,809)	940,613
Net cash provided by operating activities.....	\$ 2,877,632	\$ 4,106,176

Summary of Noncash Investing and Financing Activities

In 2022, the Organization made draws on their construction loan of \$1,311,030 to finance construction of a Church building.

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

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Hope Fellowship Ministries, (the Organization) is incorporated under the laws of the state of Texas as a domestic nonprofit corporation. During 2015, the Organization, formerly Hope Fellowship of the Assemblies of God, formally changed its name to Hope Fellowship Ministries. The Organization's primary source of revenue is free-will donations. The primary activities of the Organization are worship services and related events. The Organization holds Church services and related events at campuses in McKinney and Prosper and two locations in Frisco, Texas.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to the following two classes of net assets:

Net Assets Without Donor Restrictions--Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions--Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At December 31, 2022, \$2,510,692 in net assets were donor-restricted for the acquisition and construction of property and buildings. These funds were used in 2022 to fund construction of the Prosper Church building. There is therefore no restricted cash as of December 31, 2022. These net assets with donor restrictions will be reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction when the project is complete and placed in service.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code section 501(c)(3), as well as state income taxes. The Organization is not required to file tax returns if it has no unrelated business income. The Organization did not have any unrelated business income in 2022 or 2021. Based on its review, management does not believe that the Organization has taken any material uncertain tax positions, including any position that would jeopardize the Organization's tax-exempt status.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in banks. Deposits in banks may, at times, exceed federally-insured limits. At December 31, 2022, the uninsured portion of bank balances was approximately \$4.7 million. The Organization has not incurred any losses on such accounts. From time to time, the Organization receives donations of stock or other financial instruments. These are converted into cash and transferred into a deposit account as soon as practicable and customarily within a few days of receipt of the stock. The Organization maintains a brokerage account to process these transactions but not for the purpose of holding investments. Accordingly, the Organization classifies these holdings as cash and cash equivalents.

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

Property and Depreciation

Property, buildings, and equipment is stated at cost, if purchased, or fair value if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets: furniture and equipment (3-10 years), building improvements (5-30 years) and buildings (30 years). Asset additions are capitalized as are betterments and renewals. Maintenance and repairs are charged to operations as incurred.

Leases

A contract contains a lease if, at its inception, the Organization has the right to control the asset during the contract period. Finance and operating lease right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and are included in property, buildings, and equipment on the statement of financial position. Finance and operating lease liabilities represent the obligation to make lease payments arising from the lease and are included in long-term liabilities on the statement of financial position. Finance and operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on the statement of financial position. Operating lease expense is recognized on a straight-line basis over the lease term and is included in equipment and supplies in the statement of activities. Interest expense on finance lease liabilities is included in interest expense in the statements of activities. Finance lease ROU assets are amortized over the lease term or the estimated useful lives of the ROU assets. Amortization of finance lease right-of-use assets is included in depreciation and amortization expense. If a lease's implicit interest rate cannot be determined, the Organization's incremental borrowing rate is used to determine the present value of future payments. When a contract contains lease and non-lease components, both components are accounted for as a single lease component.

Debt Issuance Costs

The Organization capitalizes debt issuance costs (loan origination fees) and amortizes these costs over the life of the loan using the straight-line method. Debt issuance cost is included in notes payable, net of accumulated amortization of \$33,945 and \$23,501 at December 31, 2022 and 2021, respectively.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. A donor restriction expires when a stipulated time restriction ends or a purpose restriction is accomplished. At that time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated property and equipment and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

Classification of Revenue and Expenses

Operating activities include items which are directly related to the Organization's program services or are essential support elements of those programs. Interest income and gains or losses on disposals of assets or liabilities do not meet the Organization's criteria for operating activities and are included with other income and expenses.

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities, which reports certain categories of expenses that are attributable to more than one program or supporting activity. Accordingly, these expenses have been allocated among the programs and supporting services benefited using allocation bases that are reasonable and consistently applied. Expenses that are allocated include: depreciation; interest; equipment and supplies; facility maintenance; transportation; utilities; software and programming; insurance; and telephone and internet; which are all allocated based on estimates of building usage. Personnel expenses are allocated on the basis of estimates of time and effort.

Financial Instruments

In determining fair value of its financial instruments, the Organization uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments, including long-term investments, notes receivable, and long-term debt, the Organization uses standard market conventions and techniques, such as discounted cash flow analysis, replacement cost, or other valuation methods, to determine fair value. All methods of assessing fair value resulted in a general approximation of value and such value may never actually be realized.

Estimates

Management utilizes estimates in order to record certain transactions in accordance with generally accepted accounting principles. Actual results may differ from those estimates.

Liquidity and Available Resources

The Organization had financial assets consisting of cash and cash equivalents of \$6,078,721 and \$7,814,699 at December 31, 2022 and 2021, respectively. These financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. As part of its liquidity management, the Organization raises tithes and offerings to meet their cashflow requirements and structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Reclassifications

Certain amounts from the 2021 financial statements have been reclassified to conform to the current year's financial statement presentation and enhance comparability between periods. This change has no effect on net assets or the change in net assets for the year ended December 31, 2021.

2. HEALTH INSURANCE

The Organization maintains a self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The Organization maintains a reserve for incurred but unpaid medical claims and claim development. The reserve is an estimate based on historical experience and other assumptions, some of which are subjective. The Organization adjusts its self-insured medical benefits reserve as the Organization's loss experience changes due to medical inflation, changes in the number of plan participants, and an aging employee base. The Organization's self-insured medical benefits reserve was \$12,090 and \$142,069 at December 31, 2022 and 2021, respectively, and is included in accrued liabilities in the statements of financial position.

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

3. NOTES PAYABLE

Following is a summary of notes payable at December 31:

	<u>2022</u>	<u>2021</u>
4.50% note payable to a bank, payable in monthly installments of principal and interest through maturity in October 2029, based on a 240 month amortization.....	\$ 10,780,444	\$ 11,189,900
4.25% note payable to a bank, payable in monthly installments of principal and interest through maturity in October 2029, based on a 240 month amortization.....	3,577,545	3,715,501
4.25% note payable to a bank, payable in monthly installments of principal and interest through maturity in October 2029, based on a 240 month amortization.....	2,688,205	2,791,825
4.25% note payable to a bank, interest only payments due through March 2024.....	1,311,030	-
Debt issuance costs.....	<u>(70,502)</u>	<u>(80,947)</u>
	18,286,722	17,616,279
Less current maturities included in current liabilities.....	<u>(667,563)</u>	<u>(651,113)</u>
Notes payable, net of current portion and debt issuance cost.....	<u>\$ 17,619,159</u>	<u>\$ 16,965,166</u>

Future scheduled maturities of notes payable for the next five years and in the aggregate thereafter are as follows:

2023.....	\$ 667,563
2024.....	700,794
2025.....	757,206
2026.....	792,485
2027.....	829,408
Thereafter.....	14,609,768
Debt Issuance Costs.....	<u>(70,502)</u>
Total.....	<u>\$ 18,286,722</u>

The \$10,780,444 note bears interest at 4.50% through October 2024. Notes with balances of \$3,577,545 and \$2,688,205 at December 31, 2022, bear interest at 4.25% through October 2022 and 4.50% through October 2024. Subsequent to October 2024 and through maturity, these interest rates will be at the Constant Maturity Treasury rate plus 3.05% with a 4.50% floor.

In March 2022 the Organization entered into a \$9,513,700 construction loan agreement to finance the construction of a building on land in Prosper, Texas. During 2022, draws totaling \$1,311,030 were made. Subsequent to year end, an additional \$3,017,581 in draws on the construction loan have been made. Interest only payments are due through March 2024, after which principal and interest payments are due based upon a 25 year amortization through maturity in April 2032. The interest rate on this note is fixed at 4.25% through April 2027. Subsequent to April 2027 and through maturity, the interest rate will be at the lesser of 4.25% or the Constant Maturity Treasury rate plus 2.99%.

All of this debt is payable to a single lender and is secured by all of the Organization's land, buildings, and improvements, with a net book value of approximately \$30.5 million at December 31, 2022.

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

4. LEASES

The Organization is the lessee of audio/video equipment under finance leases expiring in 2023. The assets are amortized over the estimated useful lives of the equipment as there is a transfer of title to the lessee at the end of the lease term. Accumulated amortization for these assets was \$814,342 and \$639,940 at December 31, 2022 and 2021, respectively.

Minimum future lease payments under finance leases as of December 31, 2022, are as follows:

2023.....	\$ 15,194
Total minimum finance lease payments.....	15,194
Less amount representing interest.....	(437)
Present value of net minimum finance lease payments.....	<u>\$ 14,757</u>

The Organization is the lessee of office equipment under an operating lease expiring in 2026. Operating lease cost is included in equipment and supplies expense.

Minimum future lease payments under operating leases as of December 31, 2022, are as follows:

2023.....	\$ 48,360
2024.....	48,360
2025.....	48,360
2026.....	<u>20,150</u>
Total minimum operating lease payments.....	165,230
Less amount representing interest.....	<u>(11,689)</u>
Present value of net minimum operating lease payments.....	<u>\$ 153,541</u>

Below is a summary of lease costs for the year ended December 31:

	2022	2021
Interest on finance lease liabilities.....	\$ 15,978	\$ 41,319
Amortization of finance lease right-of-use assets.....	<u>174,502</u>	<u>185,960</u>
Finance lease cost.....	<u>\$ 190,480</u>	<u>\$ 227,279</u>
Operating lease cost.....	<u>\$ 48,360</u>	<u>\$ 26,891</u>

Other information:

Right-of-use assets obtained in exchange for new operating lease.....	\$ -	\$ 217,490
Weighted-average remaining lease term-finance leases.....	3 months	13 months
Weighted-average remaining lease term-operating leases.....	41 months	53 months
Weighted-average discount rate-finance leases.....	13.67%	12.34%
Weighted-average discount rate-operating leases.....	4.25%	4.25%

HOPE FELLOWSHIP MINISTRIES

Notes to Financial Statements

5. CONSTRUCTION IN PROCESS

Construction in process at December 31, 2022 consisted of costs for the construction of a Church building on land in Prosper, Texas. The building will be home to the Prosper campus when completed in the third quarter of 2023. Included in accounts payable at December 31, 2022 are payables related to construction of approximately \$762,000, including retainage of \$495,000.

6. DEFINED CONTRIBUTION PLAN

The Organization participates in a 403(b) employee benefit plan. The Organization's expenses for this plan totaled approximately \$297,000 and \$290,000 for the years ended December 31, 2022 and 2021, respectively.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2023, the date the financial statements were available to be issued.