

HOPE COMMUNITY CHURCH

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024



HOPE COMMUNITY CHURCH

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Independent Auditor's Report

To the Session of
Hope Community Church
Charlotte, North Carolina

Opinion

We have audited the accompanying financial statements of Hope Community Church (the Church) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, 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 Community Church as of June 30, 2025 and 2024, 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 (GAAS). 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 Community Church and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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 Community Church'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 Responsibility 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 an audit conducted in accordance with GAAS 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 GAAS, 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 Community Church's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope Community Church'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 we identified during the audit.

Bernard Robinson & Company, L.L.P.

Charlotte, North Carolina
November 14, 2025

HOPE COMMUNITY CHURCH
Statements of Financial Position
June 30, 2025 and 2024

Assets:

	2025	2024
Current Assets:		
Cash and cash equivalents - without donor restrictions	\$ 4,446,213	\$ 2,164,065
Cash and cash equivalents - with donor restrictions	3,781	3,864
Investments - certificates of deposit	-	850,000
Accrued interest receivable	-	11,333
Other receivables	37,108	2,857
Prepaid expenses	87,644	63,696
Notes receivable, current portion	160,600	1,200
Total current assets	<u>4,735,346</u>	<u>3,097,015</u>
Property and equipment	3,947,134	3,962,544
Accumulated depreciation	<u>(1,930,686)</u>	<u>(1,773,096)</u>
	<u>2,016,448</u>	<u>2,189,448</u>
Other Assets:		
Right of use assets, net of amortization	2,622,384	609,794
Construction in progress	1,254,560	333,893
Security deposits	23,266	782
Notes receivable, net of current portion	98,800	159,000
Total other assets	<u>3,999,010</u>	<u>1,103,469</u>
Total Assets	<u><u>\$ 10,750,804</u></u>	<u><u>\$ 6,389,932</u></u>

Liabilities and Net Assets:

Current Liabilities:		
Accounts payable and credit cards payable	\$ 100,253	\$ 30,739
Payroll liabilities	62,242	18,256
Unearned revenue	50	-
Current portion of mortgage payable	143,649	138,788
Current portion of operating lease liability	217,068	235,401
SEP liability	174,143	143,203
Total current liabilities	<u>697,405</u>	<u>566,387</u>
Long-Term Liabilities:		
Operating lease liability, net of current portion	2,473,879	412,602
Mortgage payable, net of current portion	863,125	1,005,912
Total long-term liabilities	<u>3,337,004</u>	<u>1,418,514</u>
Total Liabilities	<u>4,034,409</u>	<u>1,984,901</u>
Net Assets:		
Without donor restrictions	6,712,614	4,401,167
With donor restrictions	3,781	3,864
Total net assets	<u>6,716,395</u>	<u>4,405,031</u>
Total Liabilities and Net Assets	<u><u>\$ 10,750,804</u></u>	<u><u>\$ 6,389,932</u></u>

See Notes to Financial Statements

HOPE COMMUNITY CHURCH
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2025 and 2024

	2025	2024
Changes in Net Assets Without Donor Restrictions:		
Revenue and Support:		
Contributions	\$ 7,272,418	\$ 5,672,963
Program revenue	85,025	61,032
Total revenues before releases	7,357,443	5,733,995
Releases from restriction	236,822	278,201
Total revenues after releases	7,594,265	6,012,196
Expenses:		
Program expenses	4,935,963	4,697,859
Management and general expenses	591,003	594,114
Total expenses	5,526,966	5,291,973
Other Income and Expense:		
Rental income	150,878	155,408
Investment income	76,655	31,544
Other income/expense	16,615	7,626
Total other income and expense	244,148	194,578
Change in net assets without donor restrictions	2,311,447	914,801
Changes in Net Assets With Donor Restrictions:		
Contributions	236,739	277,800
Net assets released from restrictions	(236,822)	(278,201)
Change in net assets with donor restrictions	(83)	(401)
Change in net assets	2,311,364	914,400
Net Assets - Beginning of Year	4,405,031	2,661,191
Restatement of Beginning Net Assets (Note 12)	-	829,440
Net Assets, Beginning of Year, As Restated	4,405,031	3,490,631
Net Assets - End of Year	\$ 6,716,395	\$ 4,405,031

HOPE COMMUNITY CHURCH
Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	<u>YEAR ENDED JUNE 30, 2025</u>				<u>YEAR ENDED JUNE 30, 2024</u>			
	<u>Program Expenses</u>		<u>General and Administrative</u>	<u>Total</u>	<u>Program Expenses</u>		<u>General and Administrative</u>	<u>Total</u>
	<u>Programs</u>	<u>Benevolence</u>			<u>Program</u>	<u>Benevolence</u>		
Ministry programs	\$ 576,097	\$ 951,683	\$ -	\$ 1,527,780	\$ 584,032	\$ 1,025,592	\$ -	\$ 1,609,624
Salaries and related expenses	2,604,938	-	289,438	2,894,376	2,252,656	-	250,295	2,502,951
Facilities and grounds:								
Rent	314,178	-	34,909	349,087	320,430	-	27,864	348,294
Utilities	60,800	-	6,755	67,555	50,867	-	5,652	56,519
Telecommunications	19,572	-	2,175	21,747	18,831	-	2,092	20,923
Life safety and security	32,393	-	3,599	35,992	30,165	-	3,352	33,517
Equipment leases and maintenance	15,394	-	1,710	17,104	13,643	-	1,516	15,159
Property maintenance	93,777	-	10,420	104,197	123,682	-	13,742	137,424
Administrative expense:								
Fees	-	-	64,295	64,295	-	-	56,465	56,465
Insurance	-	-	28,920	28,920	-	-	24,738	24,738
Office expenses	-	-	28,188	28,188	-	-	27,860	27,860
Hardware and software	7,663	-	22,989	30,652	6,859	-	20,577	27,436
Books and references	15,077	-	5,026	20,103	15,459	-	5,153	20,612
Dues and subscriptions	1,076	-	3,228	4,304	857	-	2,571	3,428
Professional services	7,011	-	63,095	70,106	13,942	-	125,476	139,418
Depreciation	201,728	-	22,414	224,142	201,956	-	22,440	224,396
Interest	34,576	-	3,842	38,418	38,888	-	4,321	43,209
	<u>\$ 3,984,280</u>	<u>\$ 951,683</u>	<u>\$ 591,003</u>	<u>\$ 5,526,966</u>	<u>\$ 3,672,267</u>	<u>\$ 1,025,592</u>	<u>\$ 594,114</u>	<u>\$ 5,291,973</u>

HOPE COMMUNITY CHURCH
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,311,364	\$ 914,400
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	224,142	224,396
Amortization of deferred financing costs	673	673
(Gain) loss on sale of property and equipment	7,234	-
Change in:		
Prepaid expenses	(23,948)	(14,543)
Accrued interest receivable	11,333	(11,333)
Other receivables	(34,251)	33,887
Security deposits	(22,484)	(336)
Accounts payable and credit cards payable	69,514	(5,546)
Payroll liabilities	43,986	2,378
Unearned revenue	50	(10,250)
Operating lease liability and ROU, net	30,354	15,973
SEP Liability	30,940	-
Net cash provided by operating activities	<u>2,648,907</u>	<u>1,149,699</u>
Cash flows from investing activities:		
Principal payments received on notes receivable	800	1,200
Note receivable issued	(100,000)	-
Purchase of construction in progress	(920,667)	(303,118)
Purchase of property	(58,376)	(29,684)
Redemption of investments	850,000	-
Purchase of investments	-	(850,000)
Net cash used in investing activities	<u>(228,243)</u>	<u>(1,181,602)</u>
Cash flows from financing activities:		
Payments on long-term debt	<u>(138,599)</u>	<u>(133,809)</u>
Net cash used in financing activities	<u>(138,599)</u>	<u>(133,809)</u>
Net increase (decrease) in cash and cash equivalents	2,282,065	(165,712)
Cash and cash equivalents, beginning	<u>2,167,929</u>	<u>2,333,641</u>
Cash and cash equivalents, ending	<u>\$ 4,449,994</u>	<u>\$ 2,167,929</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 37,745</u>	<u>\$ 42,536</u>

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope Community Church (the "Church") is denominational of the Presbyterian Church in America, Incorporated on February 11, 2002. Hope Community Church is a nonprofit organization incorporated for religious purposes, qualified for exempt status under Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code ("IRC"). The Church operates with a group of staff, elders, deacons, and women's shepherding members who share one ministry vision and philosophy of ministry, which is to be a church where real people look to the real Jesus for real change. The Church especially aims to be a church where people who have been wounded by the church or who are cynical about Christianity can experience and consider the gospel of grace that Jesus revealed in community. The Church is made up of multiple congregations that worship on Sunday mornings at a few different locations in smaller, more intimate gospel communities. The Church's desire is that each congregation would bring gospel-centered community and hope to different people and areas throughout Charlotte. As it's grown, the multi-congregational model has enabled the Church to combine small church intimacy with large church resources and quality.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Net Assets

The Church receives revenue primarily from contributions. The Church records gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. At June 30, 2025 and 2024, net assets with donor restrictions were \$3,781 and \$3,864, respectively.

Net assets without donor restrictions: Net assets presently available for use by the Church that are not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by action of the Church and/or the passage of time. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by the Church spending the funds in support of activities specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the amounts are spent on the stipulated purpose for which the resources were restricted, or both.

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Net Assets (Continued)

At June 30, 2025 and 2024, the Church had session designated funds in the amount of \$72,147 and \$34,326, respectively.

In March 2024, the Church launched Hope Overflowing - a 24-month expanded giving initiative. Hope Overflowing is a one-fund initiative where all of the giving for the 24 month period ending March 2026 will go into the same unrestricted fund. The purpose of this initiative is to increase overall giving which will, in turn, fund projects that allow the Church to fulfill its mission. Church members were asked to complete a commitment card stating the amount committed through March 2026. On June 20, 2025, the Session communicated the decision to pause the construction effort, but intends to run the campaign through March 2026 as originally planned. This commitment is not considered a legally-binding obligation; amounts are recorded as unrestricted contributions only when received. For the years ended June 30, 2025 and 2024, total Hope Overflowing contributions received totaled \$7,272,418 and \$2,033,946, respectively.

Income Tax Status

As a member of the Presbyterian Church in America, the Church is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, certain activities not directly related to the Church's tax-exempt purpose could be subject to taxation as unrelated business income. The Church believes it has appropriate support for any tax positions taken, and does not have any uncertain tax positions that are material to the financial statements.

Donated Property and Services

As necessary, the Church records donated property at its estimated fair market value at the date of receipt. Subsequent to the date of receipt, donated property is transferred to a needy individual at a value below fair market value or carried at the estimated fair market value and then depreciated. Church members often volunteer time in the operation of the Church. Donated time and services are not reflected in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking accounts maintained by the Church.

The Church maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposit accounts, at times, may exceed federally insured limits. At June 30, 2025 and 2024, the amount of uninsured cash totaled \$4,199,994 and \$1,917,929, respectively.

Property and Equipment

The Church records property and equipment at cost at the acquisition date or fair value at the donation date in the case of gifts. Property and equipment are depreciated, using the straight-line method, over the estimated useful life of the asset (buildings and improvements - thirty years; furniture and equipment - three to six years; leasehold improvements - three to ten years). The Church capitalizes property and equipment with a cost or donated value of \$2,500 or more. Maintenance and repairs are expensed as paid; major renewals or betterments are capitalized.

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are reported at fair value, which consist of a certificate of deposit with an original maturity of six months. As of June 30, 2025 and 2024, the certificate of deposit balance was \$0 and \$850,000.

Leases

At the inception of a lease, the Church assesses whether the lease represents an operating or finance lease. Operating leases are included in the balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability. The Church has elected not to recognize a right-of-use asset or lease liability for leases with an initial term of 12 months or less that do not include a purchase option that is reasonably expected to be exercised. The expense associated with short-term leases is included in lease expense in the accompanying statement of activities.

Right-of-use assets and lease liabilities are recognized at the commencement date. The lease liabilities are measured at the present value of the lease payments over the lease term. The Church uses the rate implicit in the lease if it is determinable. If not determinable, the Church has elected the practical expedient to use the risk-free rate for all classes of underlying assets. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised.

To the extent a lease agreement includes both lease and non-lease components, the Church has elected to account for lease and non-lease components as a single combined lease component.

Cost Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services based on estimates made by the Church's management.

NOTE 2 - INVESTMENTS

The Church had investments in certificates of deposit. No certificates of deposit were held at June 30, 2025. Investments reported in the financial statements at fair value as of June 30, 2024 were:

	Fair Value	Cost	Unrealized Gain
Certificates of Deposit	\$ 850,000	\$ 850,000	\$ -

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Church utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. Certificates of deposit are classified as Level 2 within the fair value hierarchy.

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 3 - NOTES RECEIVABLE

The Church entered into a promissory note agreement with a pastor on June 6, 2025 for a principal amount of \$100,000. The note bears interest at zero percent and is collateralized by an interest in the residence acquired. The note requires monthly payments of \$100 until maturity in 2055. No imputed interest was recorded on this note for the year ended June 30, 2025. As of June 30, 2025, the current portion of this note is \$1,200 as reflected in the accompanying statement of financial position.

The Church entered into a promissory note agreement with a pastor on June 30, 2019 for a principal amount of \$162,000. The note bears interest at zero percent and is collateralized by an interest in the residence acquired. The note requires monthly payments of \$100 until maturity in 2049. For the years ended June 30, 2025 and 2024, interest income totaling \$4,374 and \$4,407, respectively, was imputed and recognized based on monthly applicable federal rates published by the IRS. On February 28, 2025, this pastor was terminated and the note is now due on or before February 28, 2026. As of June 30, 2025, the remaining balance of \$159,400 is considered current as reflected in the accompanying statement of financial position.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following as of June 30:

	2025	2024
Buildings and Improvements	\$ 2,165,620	\$ 2,165,620
Leasehold Improvements	911,889	985,675
Furniture, Fixtures and Equipment	482,607	424,231
Land	387,018	387,018
	3,947,134	3,962,544
Accumulated depreciation	(1,930,686)	(1,773,096)
	<u>\$ 2,016,448</u>	<u>\$ 2,189,448</u>

Depreciation expense for the years ended June 30, 2025 and 2024 was \$224,142 and \$224,396, respectively.

NOTE 5 - LEASES

As of June 30, 2025, the Church has the following lease agreements in place:

In April 2015, the Church entered into an operating lease for real property at 3021 Griffith Street in Charlotte, NC. The lease has a term of 120 months with an option to renew the lease for an additional 36 months. In September 2023, the option to renew was exercised and the lease now terminates on March 31, 2028. The lease requires monthly payments between \$8,986 and \$9,259 through March 2025, and \$11,695 per month from April 2025 through the March 31, 2028 termination date.

In August 2019, the Church entered into an operating lease for real property at 6869 Fairview Road in Charlotte, NC. The lease has a term of 66 months and requires monthly payments between \$13,005 and \$13,800 through the April 30, 2025 termination date.

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 5 - LEASES (Continued)

In December 2019, the Church entered into an operating lease for real property at 920 N Sharon Amity Road in Charlotte, NC. The lease has a term of 60 months and requires monthly payments of \$2,000 through the December 31, 2027 termination date.

In January 2025, the Church entered into an operating lease for real property at 5925 Carnegie Boulevard in Charlotte, NC. The lease has a term of 123 months with an option to renew the lease for an additional 60 months. The lease commenced on June 1, 2025 with monthly rent payments commencing September 1, 2025, and includes an annual base rent increase of 3.75%. The lease requires monthly payments between \$22,484 and \$32,490 through the August 31, 2035 termination date.

The Church also leases equipment and real property under month-to month and short-term agreements that have a duration of 12 months or less.

The components of lease expense for the year ended June 30:

	2025	2024
Operating lease expense	\$ 345,487	\$ 310,184
Short-term lease expense	3,600	25,681
Variable lease expense	-	27,588
	<u>\$ 349,087</u>	<u>\$ 363,453</u>

Amounts included in the statement of financial position as of June 30:

Operating lease - right-of-use asset	<u>\$ 2,622,384</u>	<u>\$ 609,794</u>
Current operating lease liabilities	\$ 217,068	\$ 235,401
Noncurrent operating lease liabilities	2,473,879	412,602
	<u>\$ 2,690,947</u>	<u>\$ 648,003</u>

Other information:

Operating cash flows from operating leases	\$ 290,590
ROU assets obtained in exchange for operating lease liabilities	\$ 2,265,488
Weighted-average remaining lease term in years for operating leases	9.02
Weighted-average discount rate for operating leases	6.71%

Maturities of lease payments due are as follows:

<u>Year Ending June 30:</u>	
2026	\$ 390,023
2027	445,141
2028	408,586
2029	302,255
2030	313,590
Thereafter	<u>1,818,397</u>
Total undiscounted cash flows	3,677,992
Less: present value discount	<u>(987,045)</u>
	<u>\$ 2,690,947</u>

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 6 - LONG-TERM DEBT

In July 2015, the Church financed the purchase of property at 4418 & 4420 Rea Road, Charlotte, NC in the amount of \$2,496,000. Effective November 16, 2021, the Church refinanced the loan in the amount of \$1,488,632 at a fixed rate of 3.40%. Monthly payments of \$14,695 are due until maturity on November 24, 2031. As of June 30, 2025 and 2024, the balance on the note was \$1,011,377 and \$1,149,977, respectively. This note is secured by the properties at 4418 & 4420 Rea Road.

In January 2025, the Church entered into a construction loan agreement with a bank. The loan amount shall not exceed \$7,500,000. Loan draws will be divided into three transactions not to exceed \$2,500,000 per phase of construction. The loan will accrue interest at the 30 day SOFR plus 2.50%. As of June 30, 2025, and the auditor's report date, no amounts have been borrowed on this loan, commensurate with the Church's decision to pause the Hope Overflowing construction effort.

Future maturities on long-term debt are due as follows:

<u>Year Ending June 30:</u>	
2026	\$ 143,649
2027	148,680
2028	153,828
2029	159,274
2030	164,852
Thereafter	241,094
	<u>1,011,377</u>
Less: unamortized financing costs	(4,603)
Less: current maturities	<u>(143,649)</u>
	<u><u>\$ 863,125</u></u>

NOTE 7 - RENTAL INCOME

The Church leases and subleases space to multiple organizations. The lease income varies from \$25 to \$11,536 per month with receipt of payments scheduled through March 31, 2027. Total rental income for the years ended June 30, 2025 and 2024 was \$150,878 and \$155,408, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30:</u>	
2026	\$ 135,414
2027	103,828
	<u>\$ 239,242</u>

NOTE 8 - EMPLOYEE BENEFITS

The Church has a 403(b) defined contribution plan through the Presbyterian Church in America. All permanent employees are eligible to contribute and the Church makes a contribution equal to 8% of compensation for all permanent employees. An additional contribution equal to 7.65% of compensation is made for all permanent employees who are exempt from self-employment taxes. For the years ended June 30, 2025 and 2024, the Church contributed \$170,693 and \$158,590, respectively, to the plan.

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 9 - SEP LIABILITY

In 2002, the Church established a Simplified Employee Pension ("SEP"). In 2019, the Church realized the SEP had not been operating in compliance with the Internal Revenue Code. As a result, the Church consulted an attorney to calculate the correction and file the correction through the Voluntary Correction Program ("VCP"). The correction was filed in April 2023 and, as of June 30, 2024, the Church recorded a liability of \$143,203 related to this correction. In 2025, this estimate was updated to reflect interest accrued through June 30, 2025. In November 2025, correspondence from the IRS was received, indicating an acceptance of the correction. As of June 30, 2025, the liability related to this correction was \$174,143.

NOTE 10 - COMMITMENTS

As of June 30, 2025, the Church has commitments for counseling totaling \$54,990. In addition, the Church has commitments for architecture and engineering services in the amount of \$168,175.

NOTE 11 - LIQUIDITY DISCLOSURE

Hope Community Church is primarily supported by offerings, a portion of which are restricted by the donors as to purpose or time. Because a donor's restriction requires resources to be used in a particular manner and/or in a future period, the Church must maintain sufficient resources to meet those responsibilities to its donors. The Church also receives amounts other than contributions for fees related to youth programs and events, retreats and other items in which the payer receives a benefit. Thus, a portion of financial assets may not be available for expenditure within one year. The Church Session may designate a portion of net assets for specific purposes, such as maintenance, operating reserves, and benevolence.

The Church approves annual budgets taking into consideration pledges from members, anticipated non-pledge contributions and financial reserves to allow for monitoring of its financial position and liquidity needs. As part of the Church's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Operating liquidity currently consists of balances maintained in checking accounts, money market accounts and certificates of deposit. The investment objective is to achieve growth and income with security.

The following reflects the Church's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general use. Amounts not available include amounts restricted by donors or internal designations that can be drawn upon if the governing board approves that action.

	2025	2024
Cash and cash equivalents	\$ 4,449,994	\$ 2,167,929
Investments	-	850,000
Accrued interest and other receivables	37,108	14,190
Total financial assets	<u>4,487,102</u>	<u>3,032,119</u>
Less those unavailable for general expenditures, due to:		
Donor-imposed restrictions	(3,781)	(3,864)
Church designations	(72,147)	(34,326)
	<u>(75,928)</u>	<u>(38,190)</u>
Financial assets available for general expenditures	<u>\$ 4,411,174</u>	<u>\$ 2,993,929</u>

HOPE COMMUNITY CHURCH

Notes to Financial Statements

NOTE 12 - RESTATEMENT 2024

During the year ended June 30, 2024, Church management identified misclassifications and errors with respect to the nature, amount, and useful lives of property and equipment. Management also identified many items under the \$2,500 capitalization threshold. As a result of these errors, the 2024 opening balance of property and equipment and net assets has been restated.

The effects of the changes as of July 1, 2023 are as follows:

	As Originally Reported	Adjusted as of July 1, 2023	Effect of Change
Property and Equipment, Net	\$ 1,554,720	\$ 2,384,160	\$ 829,440
Net Assets	\$ 2,661,191	\$ 3,490,631	\$ 829,440

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2025, which is the date the financial statements were available to be issued. Management discovered no subsequent events that should be disclosed.