

HOPE CHAPEL
(A Hawaii Nonprofit Corporation)

FINANCIAL STATEMENTS
(With Independent Auditor's Report)

FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Elders
Hope Chapel
Kihei, Hawaii 96753

We have audited the accompanying financial statements of Hope Chapel (a Hawaii Nonprofit Corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Chapel as of December 31, 2020 and 2019, 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.

Carlman CPAs & Mgmt Group

Wailuku, Hawaii
August 15, 2021

HOPE CHAPEL

Statements of Financial Position
As of December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2, 6 and 10)	\$ 1,812,562	\$ 1,479,356
Accounts Receivable	1,000	-
Prepaid Expenses	<u>26,730</u>	<u>31,321</u>
Total Current Assets	1,840,292	1,510,677
FIXED ASSETS (Notes 2 and 6)		
Buildings	8,655,273	8,655,273
Site Improvements	3,299,599	3,126,897
Land	1,614,827	2,220,000
Equipment	1,411,996	1,398,743
Furniture	182,314	182,314
Auto	<u>90,466</u>	<u>28,463</u>
	15,254,475	15,611,690
Accumulated Depreciation	<u>(5,851,126)</u>	<u>(5,459,748)</u>
Net Fixed Assets	9,403,349	10,151,942
OTHER ASSETS		
Land Held for Sale (Note 14)	605,173	-
CDs and Annuities Income (Note 9)	<u>420,835</u>	<u>652,310</u>
Total Other Assets	1,026,008	652,310
TOTAL ASSETS	<u><u>\$ 12,269,649</u></u>	<u><u>\$ 12,314,929</u></u>

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

HOPE CHAPEL

Statements of Financial Position
As of December 31, 2020 and 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 40,269	\$ 40,046
Interest Payable	72,095	75,454
Other Current Liabilities	23,555	24,591
Accrued Payroll, Vacation and Taxes	129,126	90,149
Current Portion of First Mortgage Bonds (Note 6)	<u>320,000</u>	<u>307,000</u>
Total Current Liabilities	585,045	537,240
LONG-TERM LIABILITIES		
First Mortgage Bonds (Note 6)	4,727,000	5,047,000
Deferred Bond Issuance Costs (Note 6)	(31,806)	(34,457)
Discount on Bonds Payable (Note 6)	<u>(175,632)</u>	<u>(190,268)</u>
Total Long-Term Liabilities	<u>4,519,562</u>	<u>4,822,275</u>
Total Liabilities	5,104,607	5,359,515
NET ASSETS (Note 3)		
Without Donor Restrictions:		
Elder Designated Funds	130,874	133,031
Undesignated	<u>6,126,218</u>	<u>5,899,465</u>
Total Without Donor Restrictions:	<u>6,257,092</u>	<u>6,032,496</u>
With Donor Restrictions:		
Building	314,409	229,482
Others	<u>593,541</u>	<u>693,436</u>
Total With Donor Restrictions:	<u>907,950</u>	<u>922,918</u>
Total Net Assets	<u>7,165,042</u>	<u>6,955,414</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,269,649</u></u>	<u><u>\$ 12,314,929</u></u>

HOPE CHAPEL

Statement of Activities

For the Year Ended December 31, 2020

	General Operations			2020 Total
	Without Donor Restriction	With Donor Restriction		
		Building	All Others	
PUBLIC SUPPORT and REVENUE				
General Offering	\$ 2,487,533	\$ 259,646	\$ -	\$ 2,747,179
World Missions	-	-	156,162	156,162
Local Missions, Ministries and Other Income	44,104	-	280,518	324,622
Paycheck Protection Program Fund (Note 11)	180,300	-	-	180,300
Savings, CDs and Annuities Income	11,579	-	-	11,579
Net Assets Released from Restrictions	711,294	(174,719)	(536,575)	-
Total Public Support and Revenue	3,434,810	84,927	(99,895)	3,419,842
EXPENSES				
Salaries and Wages	1,095,467	-	-	1,095,467
Insurance, Taxes, Staff Development and Benefits	331,104	-	-	331,104
Mortgage Interest	317,442	-	-	317,442
General Operations	347,669	-	-	347,669
Facilities - Maintenance and Equipment	75,568	-	-	75,568
Facilities - Repair and Capital Replacements	8,923	-	-	8,923
World Missions	153,965	-	-	153,965
Local Missions, Ministries and Outreach	267,498	-	-	267,498
Intern Program	125,575	-	-	125,575
Youth Ministry	14,507	-	-	14,507
Children's Ministry	27,248	-	-	27,248
Worship and Multi Media	53,870	-	-	53,870
Total Expense	2,818,836	-	-	2,818,836
Changes in Net Assets before Depreciation	\$ 615,974	\$ 84,927	\$ (99,895)	\$ 601,006
Depreciation Expense	391,378	-	-	391,378
Changes in Net Assets	\$ 224,596	\$ 84,927	\$ (99,895)	\$ 209,628

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

HOPE CHAPEL

Statement of Activities

For the Year Ended December 31, 2019

	General Operations			2019 Total
	Without Donor Restriction	With Donor Restriction		
		Building	All Others	
PUBLIC SUPPORT and REVENUE				
General Offering	\$ 2,583,411	\$ 117,744	\$ -	\$ 2,701,155
World Missions	-	-	480,436	480,436
Local Missions, Ministries and Other Income	132,165	-	504,791	636,956
Investment Income	19,146	-	-	19,146
Net Assets Released from Restrictions	1,340,832	(59,591)	(1,281,241)	-
Total Public Support and Revenue	4,075,554	58,153	(296,014)	3,837,693
EXPENSES				
Salaries and Wages	893,666	-	-	893,666
Insurance, Taxes, Staff Development and Benefits	335,103	-	-	335,103
Mortgage Interest	338,703	-	-	338,703
General Operations	396,869	-	-	396,869
Facilities - Maintenance and Equipment	119,940	-	-	119,940
Facilities - Repair and Capital Replacements	14,858	-	-	14,858
World Missions	513,325	-	-	513,325
Local Missions, Ministries and Outreach	350,332	-	-	350,332
Intern Program	121,925	-	-	121,925
Youth Ministry	105,796	-	-	105,796
Children's Ministry	59,826	-	-	59,826
Worship and Multi Media	81,380	-	-	81,380
Total Expense	3,331,723	-	-	3,331,723
Changes in Net Assets before Depreciation	\$ 743,831	\$ 58,153	\$ (296,014)	\$ 505,970
Depreciation Expense	377,645	-	-	377,645
Changes in Net Assets	\$ 366,186	\$ 58,153	\$ (296,014)	\$ 128,325

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

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Statement of Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	General Operations			Total
	Without Donor Restriction	With Donor Restriction		
		Building	All Others	
Net Assets as of December 31, 2018	\$ 5,666,310	\$ 171,329	\$ 989,450	\$ 6,827,089
Change in Net Assets - 2019	366,186	58,153	(296,014)	128,325
Net Assets as of December 31, 2019	\$ 6,032,496	\$ 229,482	\$ 693,436	\$ 6,955,414
Change in Net Assets - 2020	224,596	84,927	(99,895)	209,628
Net Assets as of December 31, 2020	\$ 6,257,092	\$ 314,409	\$ 593,541	\$ 7,165,042

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

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Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services		2020 Totals
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 980,651	\$ 114,816	\$ -	\$ 1,095,467
Insurance, Taxes, Staff Development and Benefits	296,401	34,703	-	331,104
Mortgage Interest	311,278	6,164	-	317,442
General Operations	340,918	6,751	-	347,669
Facilities - Maintenance and Equipment	74,101	1,467	-	75,568
Facilities - Repair and Capital Replacements	8,750	173	-	8,923
World Missions	153,965	-	-	153,965
Local Missions, Ministries and Outreach	267,498	-	-	267,498
Intern Program	125,575	-	-	125,575
Youth Ministry	10,042	-	4,465	14,507
Children's Ministry	27,248	-	-	27,248
Worship and Multi Media	53,870	-	-	53,870
Total Expenses	<u>\$ 2,650,297</u>	<u>\$ 164,074</u>	<u>\$ 4,465</u>	<u>\$ 2,818,836</u>

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Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services		2019 Totals
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 788,356	\$ 105,310	\$ -	\$ 893,666
Insurance, Taxes, Staff Development and Benefits	293,781	41,322	-	335,103
Mortgage Interest	332,126	6,577	-	338,703
General Operations	389,163	7,706	-	396,869
Facilities - Maintenance and Equipment	117,611	2,329	-	119,940
Facilities - Repair and Capital Replacements	14,569	289	-	14,858
World Missions	513,325	-	-	513,325
Local Missions, Ministries and Outreach	350,332	-	-	350,332
Intern Program	121,925	-	-	121,925
Youth Ministry	90,851	-	14,945	105,796
Children's Ministry	59,826	-	-	59,826
Worship and Multi Media	81,380	-	-	81,380
Total Expenses	<u>\$ 3,153,245</u>	<u>\$ 163,533</u>	<u>\$ 14,945</u>	<u>\$ 3,331,723</u>

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Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2020</u>	<u>2019</u>
Cash Received from Members and Others	\$ 3,419,842	\$ 3,837,693
Cash Paid for Interest	(303,514)	(333,037)
Cash Paid to Employees and Vendors	<u>(2,459,639)</u>	<u>(2,976,178)</u>
Net Cash Provided by Operating Activities (Note 5)	656,689	528,478
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(247,958)	(65,756)
Proceeds from Certificate of Deposit	231,475	-
Net Purchase of Principal-Guaranteed Investments	<u>-</u>	<u>(492,310)</u>
Net Cash Provided (Used) by Investing Activities	(16,483)	(558,066)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments from Note Receivable	-	647,500
Principal Payments on Notes Payable and Redemption of Bonds	<u>(307,000)</u>	<u>(845,000)</u>
Net Cash Used by Financing Activities	<u>(307,000)</u>	<u>(197,500)</u>
Net Increase (Decrease) in Cash for the Year	333,206	(227,088)
 CASH BALANCE, BEGINNING OF YEAR	 <u>1,479,356</u>	 <u>1,706,444</u>
CASH BALANCE, END OF YEAR	<u>\$ 1,812,562</u>	<u>\$ 1,479,356</u>
 Non-Cash Supplemental Information		
Land Transferred to Land Held for Sale (Note 14)	\$ 605,173	\$ -

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

HOPE CHAPEL

Notes to the Financial Statements December 31, 2020 and 2019

Note 1. NATURE OF ORGANIZATION

Hope Chapel (the Church) was incorporated August 19, 1980 under the laws of the State of Hawaii. The purpose of the Church is to maintain and operate a religious corporation, which propagates and disseminates the religious principles presented in the Holy Bible. Part of fulfilling its mission is to establish schools of collegiate grade and less than collegiate grade and to establish, maintain and conduct missionary endeavors for the furtherance of the gospel of Jesus Christ.

Hope Chapel is exempt from Federal income taxes pursuant to Internal Revenue Code Section 501(c)(3) for income related to the Church's mission.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting: The Church uses the accrual method of accounting for financial statement reporting according to generally accepted accounting principles. Under this method of accounting, revenue is recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Cash and Cash Equivalents - Cash and cash equivalents reflected in the Statement of Cash Flows include checking accounts, savings accounts, and investment accounts that are small and readily converted to cash within 90 days.

Accounts Receivable: Accounts receivables represents revenues earned but not yet received. Accounts receivables are written off when deemed uncollectible by management. Management reviews Accounts Receivables on a periodic basis to determine if an allowance for doubtful assessments is necessary. Management has determined an allowance for doubtful assessments is not necessary as of December 31, 2020 and 2019, based on past collection history and the current composition of the Accounts Receivable balance.

Land: The Church capitalizes all its land which is stated at cost or, if donated, at the approximate fair value at the date of donation. Land appraisals are used to determine fair market value.

Fixed Assets: Fixed assets are stated at cost or fair market value at the date of donation for donated items. The Church capitalized all fixed assets with a value over \$5,000 and a useful life greater than one year. Donated property and equipment are recorded as revenue at their estimated fair value. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from three to forty years.

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Notes to the Financial Statements December 31, 2020 and 2019

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalized Facility: During the period of construction, the Church capitalized all costs associated with building the new Church facilities. Included in capitalized costs are the following: architectural design, interest incurred during the construction period, construction management, and other direct building costs.

Revenue Recognition: Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions (Note 3). Unconditional promises to donate due in the next year are reflected as current promises to give and are recorded at their net realizable value. Contributions of cash are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions.

The Church has followed the provisions of the FASB's *ASC Topic 606*, Revenue from Contracts with Customers, and has concluded that no changes are necessary to conform to the new standard. Performance obligation related to designated offerings is recognized when received and recorded with restrictions, and is released from restrictions when the restrictions are met. General offerings and other revenues and donations do not have a specific performance obligation and are generally earned when received.

Donated Services: The weekly operation of the Church requires donated time from volunteers. No amounts have been reflected in the financial statements for these donated services as no objective basis is available to measure the actual hours and value of the services. Nevertheless, many volunteers have donated significant amounts of their time to the Church's activities.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising: The Church expenses advertising costs as they incur. Advertising expense were \$1,327 and \$2,250 as of December 31, 2020 and 2019, respectively.

Reclassifications: Certain account balances in the 2019 financial statements were reclassified for comparative purposes to conform to the 2020 financial statement presentation. The reclassifications have no effect on previously reported changes in net assets.

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Notes to the Financial Statements December 31, 2020 and 2019

Note 3. NET ASSETS

In accordance with *ASU 2016-14, Not-For-Profit Entities (Topic 958)* – Presentation of Financial Statements of Not-for-Profit Entities, Hope Chapel is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include all resources that are not subject to donor-imposed stipulations or contributions with donor-imposed restrictions that are met during the same year as the contribution is made. Net assets without donor restrictions denoted as property and equipment represent equity in such property and equipment. The Elders have designated \$100,774 and \$101,031 at December 31, 2020 and 2019, respectively, for the purpose of capital reserve maintenance expenditure. The Elders have also designated \$30,100 and \$32,000 at December 31, 2020 and 2019, respectively, for the purpose of projects or needs where the Elders feel the Spirit is moving/directing.

Net assets with donor restriction include amounts that the donor subjects to restrictions in perpetuity and amounts subject to legal or donor-imposed stipulations that may or will be met either by actions of the Church and/or passage of time. The following are net assets with donor restrictions at December 31:

	<u>2020</u>	<u>2019</u>
Building Fund	\$ 314,409	\$ 229,482
Jaquess Trust Fund	174,241	175,206
Benevolence	112,663	85,802
Hope for the Next Generation	87,248	287,248
World Missions	104,926	79,628
Others	81,373	33,633
Local Missions	<u>33,090</u>	<u>31,919</u>
Total	<u>\$ 907,950</u>	<u>\$ 922,918</u>

Note 4. FUNCTIONAL EXPENSES

The financial statements include statements of Functional Expenses. Functional expenses are allocated to program related and administrative functions. Expense allocations are generally computed based on the number of employees or contractors performing program or administrative functions.

HOPE CHAPEL

Notes to the Financial Statements
December 31, 2020 and 2019

Note 5. RECONCILIATION OF CHANGES IN NET ASSETS WITH NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2020</u>	<u>2019</u>
Changes in Net Assets	\$ 209,628	\$ 128,325
Adjustments to Reconcile:		
Add back Depreciation	391,378	377,645
Net Bond Discount/Issuance Amortization (Note 6)	17,287	17,286
Change in Accounts Receivable	(1,000)	2,522
Change in Prepaid Expenses	4,591	(16,949)
Change in Accounts, Interest and Other Payables	(4,172)	5,270
Change in Accrued Payroll, Vacation and Taxes	<u>38,977</u>	<u>14,379</u>
Net Cash Provided by Operating Activities	<u>\$ 656,689</u>	<u>\$ 528,478</u>

Note 6. FIRST MORTGAGE BONDS

In 2013, Hope Chapel issued First Mortgage Bonds for \$7,625,000 discounted \$292,720 (4% for non Church members and 2% for Church members). The Bonds were issued under and secured by a Second Supplemental Trust Indenture dated as of April 1, 2013 between the Reliance Trust Company (formally Church and Marshall & Ilsley Trust Company and M.F. Hron) as the trustee. The Bonds are secured by a Mortgage, dated November 1, 2013, by and among the Church, as mortgagor, and the Trustee, collectively as mortgagee. The Trustees will serve as paying agent for the Bonds. The purpose of the loan was to refinance several loans incurred in the building of the Church.

The \$292,720 of discounts on the bonds along with the \$53,010 of bond issuance costs have been included in the long term mortgage bonds and are being amortized to interest expenses over the life of the Bonds.

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Notes to the Financial Statements December 31, 2020 and 2019

Note 6. FIRST MORTGAGE BONDS (Continued)

Payment of interest and principal of the First Mortgage Bonds is solely the responsibility of Hope Chapel. Interest payments by the Trustee will be made each April 1 and October 1 to the registered owner of a bond as of the applicable interest payment date. Principle maturity schedule and interest rates are as follows:

Maturity	Amount	Rate	Maturity	Amount	Rate
April 1, 2021	\$158,000	4.75%	April 1, 2027	\$218,000	5.15%
October 1, 2021	162,000	5.00%	October 1, 2027	224,000	6.00%
April 1, 2022	166,000	5.00%	April 1, 2028	231,000	6.00%
October 1, 2022	170,000	5.00%	October 1, 2028	238,000	6.00%
April 1, 2023	175,000	5.25%	April 1, 2029	245,000	6.00%
October 1, 2023	179,000	5.50%	October 1, 2029	252,000	6.00%
April 1, 2024	184,000	5.50%	April 1, 2030	260,000	6.00%
October 1, 2024	189,000	5.75%	October 1, 2030	268,000	6.00%
April 1, 2025	195,000	5.75%	April 1, 2031	276,000	6.00%
October 1, 2025	200,000	5.75%	October 1, 2031	284,000	6.00%
April 1, 2026	206,000	5.75%	April 1, 2032	293,000	6.00%
October 1, 2026	212,000	5.75%	October 1, 2032	<u>62,000</u>	6.00%

\$5,047,000

The Bonds may be redeemed in whole on any day of the month at the option of the Church without penalty. The mortgage collateral is the land and building of the Church location on Piilani Highway. This consists of 3 large buildings on approximately 17.8 acres.

The Church is required to make minimum monthly sinking fund payments of \$51,075 until all of the bonds have been paid. Mandatory redemption fund payments will be made semi-annually on April 1 and October 1 with the final maturity of October 1, 2032. The sinking fund balance was \$155,705 and \$153,319 at December 31, 2020 and 2019, respectively. These amounts are included in cash and cash equivalents for their respective year.

There are other detailed provisions of the First Mortgage Bonds and the Trust Indenture; therefore, these documents should be read in their entirety.

Note 7. SUBSEQUENT EVENT

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through August 15, 2021, the date the financial statements were available to be issued.

Subsequent to year end, the outbreak of the COVID-19 pandemic was still ongoing. The United States economy was negatively affected and the financial markets have experienced significant fluctuations due to the outbreak. At the time these financial statements were available to be issued, the situation remained very volatile and the full effect of the pandemic on the operations of the Church could not be determined.

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Notes to the Financial Statements
December 31, 2020 and 2019

Note 8. POWER PURCHASE AGREEMENT

During 2014, the Church entered into a power purchase agreement with KEC Ohana Solar Fund 2014 LLC (the Seller). Under the agreement, the Seller constructed a 194.0 kWpDC 1337 solar panel system on the Church's property. The Church will purchase power from the Seller for a term of 20 years. At the end of years six and ten during the agreement, the Church has the option to purchase the solar panels at fair market value. If the Church does not exercise these options, the solar panels become property of the Church at the end of the agreement which is year twenty.

Note 9. FAIR VALUE MEASUREMENTS

The Church implemented *ASC 820-10-50-1* which establishes a fair value hierarchy for inputs used in measuring fair market 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 those that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows as of December 31, 2020 and 2019, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis.

Assets	2020 Total	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Life Insurance Annuity	\$ 164,461	\$ -	\$ 164,461	\$ -
Certificates of Deposit	256,374	256,374	-	-
Total	<u>\$ 420,835</u>	<u>\$ 256,374</u>	<u>\$ 164,461</u>	<u>\$ -</u>

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Notes to the Financial Statements
December 31, 2020 and 2019

Note 9. FAIR VALUE MEASUREMENTS (Continued)

Assets	2019 Total	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Life Insurance Annuity	\$ 158,573	\$ -	\$ 158,573	\$ -
Certificates of Deposit	493,737	493,737	-	-
Total	<u>\$ 652,310</u>	<u>\$ 493,737</u>	<u>\$ 158,573</u>	<u>\$ -</u>

Note 10. CONCENTRATION OF CREDIT RISK

The Church, from time to time, maintains cash balances at financial institutions in excess of federally insured limits. Management believes that these financial institutions are stable and that the risk of loss is minimal. Financial instruments that potentially subject the Church to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2020 and 2019, the Church had \$915,347 and \$830,581 in excess of the FDIC insured limit. Subsequent to year end, the Church mitigated this risk by opening more accounts at various institutions.

Note 11. PAYROLL PROTECTION PROGRAM LOAN

On April 13, 2020, the Church received loan proceeds in the amount of \$180,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness can be reduced if the borrower terminates employees or reduces salaries over the period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. During 2020, the PPP loan was forgiven by the bank and was recognized as revenue on the Statement of Activities.

Note 12. RELATED PARTY TRANSACTIONS

The Church purchased sound equipment from a company owned by an Elder of the Church. The Elder recused himself from voting and discussions related to this vendor. Purchases were vetted and determined to be equivalent to, or less than, the market value of goods and services rendered. Total expense related to these purchases were \$19,920 and \$26,990 for the years ended December 31, 2020 and 2019, respectively.

HOPE CHAPEL

Notes to the Financial Statements December 31, 2020 and 2019

Note 13. NOTE RECEIVABLE

On December 14, 2018, a donor granted to Hope Chapel a note receivable. The total amount assigned to the Church was \$647,500. The donor instructed \$500,000 to be restricted to pay down the Church's existing debt. The remaining portion can be used at the discretion of the Elders. On March 29, 2019, the Church received full payment for the note and per the donor's request paid off \$500,000 of Bonds Payable debt.

Note 14. LAND HELD FOR SALE

Hope Chapel has entered into an agreement to sell a portion of undeveloped land (the southern-most part of Hope's parcel) to its current neighbor Hale Mahaolu, along with a development group who is partnering with them. Hale Mahaolu is meeting a great need in the community by providing affordable housing for the elderly in South Maui, and they are seeking to expand by creating even more affordable units. While it is still in the process, if this sale proceeds and is finalized, Hope Chapel will be able to pay off the mortgage and be debt-free. The balances of land held for sale were \$605,173 and \$-0- at December 31, 2020 and 2019, respectively.

Note 15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial Assets available at December 31, 2020	\$ 1,812,562
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restriction	<u>(907,950)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 904,612</u>

Note 16. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842, which superseded Topic 840), which requires, among other prior changes to the lease accounting guidance, lessees to recognize most leases on the balance sheet via a right-of-use asset and lease liability as well as additional qualitative and quantitative disclosures. FASB further issued ASU No. 2020-05, which, among other provisions, deferred the effective dates for applying ASC 842 for certain not-for-profit entities that have not yet issued financial statements or made financial statements available for issuance as of June 3, 2020. ASU 2016-02 is effective for entity fiscal years beginning after December 15, 2021, but permits early adoption, and mandates a modified retrospective transition method. The provisions are effective for the Church's fiscal year ending December 31, 2022. Management is currently evaluating the impact that the adoption of these provisions will have on the financial statements, but expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the statement of financial position.