

HOPE CHAPEL
(A Hawai'i Nonprofit Corporation)

AUDITED FINANCIAL STATEMENTS
(With Independent Auditors' Report)

FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Elders and Management of
Hope Chapel
Kihei, Hawaii 96753

Opinion

We have audited the accompanying financial statements of Hope Chapel (a Hawai'i nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope Chapel 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 Chapel's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the 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 Chapel'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 Chapel's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Wailuku, Hawaii
February 3, 2023

HOPE CHAPEL

Statements of Financial Position
As of December 31, 2021 and 2020

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents (Notes 2, 6 and 10)	\$ 1,985,142	\$ 1,812,562
Accounts Receivable	-	1,000
Prepaid Expenses	45,633	26,730
Total Current Assets	2,030,775	1,840,292
FIXED ASSETS (Notes 2 and 6)		
Buildings and Site Improvements	11,979,120	11,954,872
Land	1,614,827	1,614,827
Equipment and Furniture	1,823,858	1,594,310
Auto	90,466	90,466
Accumulated Depreciation	(6,220,257)	(5,851,126)
	9,288,014	9,403,349
OTHER ASSETS		
Land Held for Sale (Note 13)	605,173	605,173
CDs and Insurance Annuity (Note 9)	427,367	420,835
Total Other Assets	1,032,540	1,026,008
TOTAL ASSETS	\$ 12,351,329	\$ 12,269,649
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,196	\$ 40,269
Interest Payable	68,194	72,095
Other Current Liabilities	11,943	23,555
Accrued Payroll, Vacation and Taxes	98,792	129,126
Current Portion of Note Payable (Note 6)	336,000	320,000
Total Current Liabilities	542,125	585,045
LONG-TERM LIABILITIES		
Long-Term Note Payable Net of Deferred Issuance Costs and Discount (Note 6)	4,200,849	4,519,562
Total Liabilities	4,742,974	5,104,607
NET ASSETS (Note 3)		
Without Donor Restrictions:		
Elder Designated Funds	552,163	130,874
Undesignated	6,334,096	6,126,218
Total Without Donor Restrictions:	6,886,259	6,257,092
With Donor Restrictions:		
Building	270,097	314,409
Others	451,999	593,541
Total With Donor Restrictions:	722,096	907,950
Total Net Assets	7,608,355	7,165,042
TOTAL LIABILITIES AND NET ASSETS	\$ 12,351,329	\$ 12,269,649

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

HOPE CHAPEL

Statement of Activities
For the Year Ended December 31, 2021

	General Operations			2021 Total
	Without Donor Restriction	With Donor Restriction		
		Building	All Others	
PUBLIC SUPPORT and REVENUE				
General Offering	\$ 2,800,794	\$ 166,736	\$ -	\$ 2,967,530
World Missions	-	-	181,308	181,308
Local Missions, Ministries and Other Income	128,003	-	156,600	284,603
Savings, CDs and Annuities Income	6,796	-	-	6,796
Net Assets Released from Restrictions	690,498	(211,048)	(479,450)	-
Total Public Support and Revenue	3,626,091	(44,312)	(141,542)	3,440,237
EXPENSES				
Salaries and Wages	993,549	-	-	993,549
Insurance, Taxes, Staff Development and Benefits	324,600	-	-	324,600
Mortgage Interest	303,466	-	-	303,466
General Operations	336,385	-	-	336,385
Facilities - Maintenance and Equipment	65,216	-	-	65,216
World Missions	227,848	-	-	227,848
Local Missions, Ministries and Outreach	185,577	-	-	185,577
Intern Program	118,956	-	-	118,956
Children's and Youth Ministry	27,320	-	-	27,320
Worship and Multi Media	44,876	-	-	44,876
Total Expense	2,627,793	-	-	2,627,793
Changes in Net Assets before Depreciation	\$ 998,298	\$ (44,312)	\$ (141,542)	\$ 812,444
Depreciation Expense	369,131	-	-	369,131
Changes in Net Assets	\$ 629,167	\$ (44,312)	\$ (141,542)	\$ 443,313

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

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	-	-	156,580	156,580
Local Missions, Ministries and Other Income	44,104	-	280,100	324,204
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
Children's and Youth Ministry	41,755	-	-	41,755
Worship and Multi Media	53,869	-	-	53,869
Total Expense	2,818,835	-	-	2,818,835
Changes in Net Assets before Depreciation	\$ 615,975	\$ 84,927	\$ (99,895)	\$ 601,007
Depreciation Expense	391,379	-	-	391,379
Changes in Net Assets	\$ 224,596	\$ 84,927	\$ (99,895)	\$ 209,628

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Statement of Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	General Operations			Total
	Without Donor Restriction	With Donor Restriction		
		Building	All Others	
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
Change in Net Assets - 2021	629,167	(44,312)	(141,542)	443,313
Net Assets as of December 31, 2021	\$ 6,886,259	\$ 270,097	\$ 451,999	\$ 7,608,355

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

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Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020

	Program Services	Supporting Services		2021 Totals
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 818,972	\$ 174,577	\$ -	\$ 993,549
Insurance, Taxes, Staff Development and Benefits	267,564	57,036	-	324,600
Mortgage Interest	297,573	5,893	-	303,466
General Operations	329,853	6,532	-	336,385
Facilities - Maintenance and Equipment	63,950	1,266	-	65,216
World Missions	227,848	-	-	227,848
Local Missions, Ministries and Outreach	185,577	-	-	185,577
Intern Program	118,956	-	-	118,956
Children's and Youth Ministry	27,320	-	-	27,320
Worship and Multi Media	44,876	-	-	44,876
Total Expenses	<u>\$ 2,382,489</u>	<u>\$ 245,304</u>	<u>\$ -</u>	<u>\$ 2,627,793</u>

	Program Services	Supporting Services		2020 Totals
		Management and General	Fundraising	
EXPENSES				
Salaries and Wages	\$ 940,361	\$ 155,107	\$ -	\$ 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	83,024	1,467	-	84,491
World Missions	153,965	-	-	153,965
Local Missions, Ministries and Outreach	267,498	-	-	267,498
Intern Program	125,575	-	-	125,575
Children's and Youth Ministry	41,755	-	-	41,755
Worship and Multi Media	53,869	-	-	53,869
Total Expenses	<u>\$ 2,614,644</u>	<u>\$ 204,192</u>	<u>\$ -</u>	<u>\$ 2,818,835</u>

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Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2021</u>	<u>2020</u>
Cash Received from Members and Others	\$ 3,440,237	\$ 3,419,842
Cash Paid for Interest	(290,080)	(303,514)
Cash Paid to Employees and Vendors	<u>(2,397,249)</u>	<u>(2,459,639)</u>
Net Cash Provided by Operating Activities (Note 5)	752,908	656,689
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(253,796)	(247,958)
Proceeds from Investments	<u>(6,532)</u>	<u>231,475</u>
Net Cash Used by Investing Activities	(260,328)	(16,483)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable and Redemption of Bonds	<u>(320,000)</u>	<u>(307,000)</u>
Net Cash Used by Financing Activities	<u>(320,000)</u>	<u>(307,000)</u>
Net Increase in Cash for the Year	172,580	333,206
 CASH BALANCE, BEGINNING OF YEAR	 <u>1,812,562</u>	 <u>1,479,356</u>
CASH BALANCE, END OF YEAR	<u>\$ 1,985,142</u>	<u>\$ 1,812,562</u>
 Non-Cash Supplemental Information		
Land Transferred to Land Held for Sale (Note 13)	\$ -	\$ 605,173

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

HOPE CHAPEL

Notes to the Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, 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.

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.

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Notes to the Financial Statements

December 31, 2021 and 2020

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,036 and \$1,327 as of December 31, 2021 and 2020, respectively.

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 \$122,441 and \$100,774 at December 31, 2021 and 2020, respectively, for the purpose of capital reserve maintenance expenditure. The Elders have also designated \$429,722 and \$30,100 at December 31, 2021 and 2020, respectively, for the purpose of projects as the Elders deem necessary and consistent with their current missions.

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Notes to the Financial Statements

December 31, 2021 and 2020

Note 3. NET ASSETS (Continued)

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:

	2021	2020
Building Fund	\$ 270,097	\$ 314,409
Jaquess Trust Fund	118,247	174,241
Benevolence	115,134	112,663
Others	93,943	81,373
World Missions	79,483	104,926
Local Missions	45,191	33,090
Hope for the Next Generation	-	87,248
Total	\$ 722,096	\$ 907,950

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.

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

	2021	2020
Changes in Net Assets	\$ 443,313	\$ 209,628
Adjustments to Reconcile:		
Add back Depreciation	369,131	391,379
Net Bond Discount/Issuance Amortization (Note 6)	17,287	17,286
Change in Accounts Receivable	1,000	(1,000)
Change in Prepaid Expenses	(18,903)	4,591
Change in Accounts, Interest and Other Payables	(28,586)	(4,172)
Change in Accrued Payroll, Vacation and Taxes	(30,334)	38,977
Net Cash Provided by Operating Activities	\$ 752,908	\$ 656,689

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Notes to the Financial Statements

December 31, 2021 and 2020

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.

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:

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>
April 1, 2022	166,000	5.00%	October 1, 2027	224,000	6.00%
October 1, 2022	170,000	5.00%	April 1, 2028	231,000	6.00%
April 1, 2023	175,000	5.25%	October 1, 2028	238,000	6.00%
October 1, 2023	179,000	5.50%	April 1, 2029	245,000	6.00%
April 1, 2024	184,000	5.50%	October 1, 2029	252,000	6.00%
October 1, 2024	189,000	5.75%	April 1, 2030	260,000	6.00%
April 1, 2025	195,000	5.75%	October 1, 2030	268,000	6.00%
October 1, 2025	200,000	5.75%	April 1, 2031	276,000	6.00%
April 1, 2026	206,000	5.75%	October 1, 2031	284,000	6.00%
October 1, 2026	212,000	5.75%	April 1, 2032	293,000	6.00%
April 1, 2027	\$218,000	5.15%	October 1, 2032	<u>62,000</u>	6.00%
				<u>\$ 4,727,000</u>	

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 \$158,525 and \$155,705 at December 31, 2021 and 2020, 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.

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Notes to the Financial Statements

December 31, 2021 and 2020

Note 6. FIRST MORTGAGE BONDS (Continued)

Long-Term Note Payable Net of Deferred Issuance Costs and Discount:

	<u>2021</u>		<u>2020</u>
Long-Term Trust Mortgage Bond Balance at December 30, 2021	\$ 4,391,000		\$ 4,727,000
Deferred Issuance Costs	(29,155)	(31,806)	
Discount in Bonds Payable	(160,996)	(190,151)	(175,632)
Net Long-Term Note Payable	<u>\$ 4,200,849</u>		<u>\$ 4,519,562</u>

Note 7. SUBSEQUENT EVENT

In preparing these financial statements, the Church has evaluated events and transactions for potential recognition or disclosure through February 3, 2023, the date the financial statements were available to be issued. There are no recognized subsequent events, events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

As a result of the COVID-19 Pandemic, The United States economy has been 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.

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.

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Notes to the Financial Statements

December 31, 2021 and 2020

Note 9. FAIR VALUE MEASUREMENTS (Continued)

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, 2021 and 2020, there are no liabilities or other assets measured at fair value on a recurring or non-recurring basis.

Assets	2021 Total	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Life Insurance Annuity	\$ 170,009	\$ -	\$ 170,009	\$ -
Certificates of Deposit	257,358	257,358	-	-
Total	<u>\$ 427,367</u>	<u>\$ 257,358</u>	<u>\$ 170,009</u>	<u>\$ -</u>

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, 2021 and 2020

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, 2021 and 2020, the Church had \$831,885 and \$915,347 in excess of the FDIC insured limit.

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 \$141,893 and \$19,920 for the years ended December 31, 2021 and 2020, respectively.

Note 13. 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. During the sale process, Hope Chapel receives nonrefundable option payments recognized as revenue. Once the sale is finalized, the sale will be recorded and the proceeds will be used to pay off the mortgage in total. The balance of land held for sale is \$605,173 at December 31, 2021 and 2020.

HOPE CHAPEL

Notes to the Financial Statements

December 31, 2021 and 2020

Note 14. 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, 2021	\$ 1,985,142
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restriction	<u>(722,096)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,263,046</u>

Note 15. 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.