

HOPE-NET
(A California Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2023 and 2022



HOPE-NET

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Hope-Net**

Report on the Audited of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of **Hope-Net (a Non-Profit Organization)**, which comprise the statements of financial position as of **December 31, 2023 and 2022** and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Hope-Net, as of December 31, 2023 and 2022, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

As explained in Note (2) to the financial statements, the Organization has not conformed to U.S. GAAP, relating to consolidated financial statements. Accounting principles generally accepted in the United States of America requires financial statements to be consolidated when a nonprofit entity has ownership interest in other for-profit entities. The effects on the accompanying financial statements of the preceding practice are not reasonably determinable.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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-Net 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 qualified audit opinion.

Responsibilities of Management 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.

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-Net'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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government 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-Net'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-Net'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.

Report on Summarized Comparative Information

We have previously audited Hope-Net's December 31, 2022, financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated June 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2024 on our consideration of Hope-Net's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hope-Net's internal control over financial reporting and compliance.

Hoffman, Short, Rubin, DeWinter, Sanderson
**HOFFMAN, SHORT, RUBIN, DEWINTER, SANDERSON
AN ACCOUNTANCY CORPORATION**

HOPE-NET
STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,628	\$ 57,376
Prepaid expenses	650	2,172
Total Current Assets	118,278	59,548
FIXED ASSETS		
	-	-
OTHER ASSETS		
Interest receivable	1,222,333	1,181,087
Investments	296,120	251,466
Investment in limited partnership	9,158	9,158
Loan to limited partnership	700,200	700,200
Total Other Assets	2,227,811	2,141,911
Total Assets	\$ 2,346,089	\$ 2,201,459

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 470
LONG-TERM LIABILITIES		
Interest payable	1,222,333	1,181,087
Note payable	700,200	700,200
Total Long-Term Liabilities	1,922,533	1,881,287
Total Liabilities	1,922,533	1,881,757
NET ASSETS		
Without donor restrictions	423,556	319,702
Total Net Assets	423,556	319,702
Total Liabilities and Net Assets	\$ 2,346,089	\$ 2,201,459

The accompanying Notes to Financial Statements
are an integral part of these statements

HOPE-NET
STATEMENTS OF ACTIVITIES

Year Ended December 31, 2023 and with comparative totals for the year ended December 31, 2022

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Government grants	\$ 34,438	\$ -	\$ 34,438	\$ 26,000
Grants - other	26,271	-	26,271	11,900
Contributions	38,104	-	38,104	26,773
Special events - fundraising	65,761	-	65,761	43,911
Interest and dividend revenue	7,487	-	7,487	4,831
Interest revenue - LAHD	42,012	-	42,012	42,012
Realized gain on investments	26,943	-	26,943	319
Donation of rent	8,400	-	8,400	8,400
Total	249,416	-	249,416	164,146
NET ASSETS RELEASED FROM RESTRICTIONS				
	-	-	-	-
Total Revenue and Support	249,416	-	249,416	164,146
EXPENSES				
Program services	116,462	-	116,462	159,640
Management and general	28,572	-	28,572	36,949
Fundraising	13,192	-	13,192	25,051
Total Expenses	158,226	-	158,226	221,640
Change in Net Assets from Operations	91,190	-	91,190	(57,494)
OTHER CHANGES				
Gains (losses) on fair value measurement	12,664	-	12,664	(28,340)
Change in Net Assets	103,854	-	103,854	(85,834)
NET ASSETS - Beginning of Year	319,702	-	319,702	405,536
Net Assets - End of Year	\$ 423,556	\$ -	\$ 423,556	\$ 319,702

The accompanying Notes to Financial Statements
are an integral part of these statements

HOPE-NET
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Food / Transportation	\$ 13,371	\$ -	\$ -	\$ 13,371
Insurance	2,758	2,442	345	5,545
Interest	42,012	-	-	42,012
Office	-	5,245	-	5,245
Payroll taxes and benefits	3,850	481	481	4,812
Postage	-	184	552	736
Professional fees	5,087	5,088	-	10,175
Rent	-	8,400	-	8,400
Special events	-	-	5,670	5,670
Telephone	-	588	-	588
Travel	230	-	-	230
Wages and salaries	49,154	6,144	6,144	61,442
Total Expenses	\$ 116,462	\$ 28,572	\$ 13,192	\$ 158,226

The accompanying Notes to Financial Statements
are an integral part of these statements

HOPE-NET
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES				
Food / Transportation	\$ 34,406	\$ -	\$ -	\$ 34,406
Insurance	6,637	4,798	830	12,265
Interest	42,012	-	-	42,012
Office	-	8,530	-	8,530
Payroll taxes and benefits	9,446	1,181	1,181	11,808
Postage	-	484	1,451	1,935
Professional fees	5,312	5,313	-	10,625
Rent	-	8,400	-	8,400
Special events	-	-	13,905	13,905
Telephone	-	559	-	559
Travel	356	-	-	356
Wages and salaries	61,471	7,684	7,684	76,839
Total Expenses	\$ 159,640	\$ 36,949	\$ 25,051	\$ 221,640

The accompanying Notes to Financial Statements
are an integral part of these statements

HOPE-NET
STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 103,854	\$ (85,834)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
(Gains) losses on fair value measurement, net	(12,664)	28,340
(Increase) decrease in assets:		
Prepaid expenses	1,522	-
Interest receivable	(41,246)	(40,108)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(470)	(10,752)
Accrued interest	41,246	40,108
	92,242	(68,246)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(31,990)	(7,215)
	60,252	(75,461)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	57,376	132,837
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 117,628	\$ 57,376

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid During the Years for:

Interest	\$ -	\$ -
Income tax	-	-

The accompanying Notes to Financial Statements
are an integral part of these statements

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. ORGANIZATION

Hope-Net (the Organization), a California non-profit Corporation was formed in June 1988. The primary purpose of the Organization is to provide food services for people in need on a nondiscriminatory basis and free of charge.

Hope-Net is a General Partner and Limited Partner in Hope West Apartments, L.P., as further described in Note (6).

The accompanying financial statements are those of the Organization and do not include the financial information of Hope West Apartments Limited Partnership, the for-profit entity that the Organization owns a majority and controlling interest in.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting and in accordance with U.S. generally accepted accounting principles.

Prior Year Information

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2022, from which the information was derived.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Capitalization and Depreciation

Fixed assets are recorded at cost when purchased or at estimated fair market value at the date of bequest or gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided on a straight-line basis in amounts sufficient to amortize the cost of the assets over their estimated useful lives of five to ten years. Major additions, betterments, and improvements are capitalized, while expenditures for maintenance and repairs are charges to expense as incurred. The Organization capitalizes all expenditures for fixed assets in excess of \$2,500.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment loss was recognized during the years ended December 31, 2023 and 2022.

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Partnership

The Organization holds interest in a Limited Partnership that it sponsors and owns. Accounting principles generally accepted in United States of America require that when a 'Non-Profit Organization' owns controlling interest in a for-profit entity the activities of the other entity should be consolidated into the nonprofit organization. It is the opinion of management that including such information would make the financial statements misleading. Therefore, these financial statements do not include financial information about this entity, as further described in Note (6).

Investments

Investments are recorded at fair value. Interest and dividends, as well as realized and unrealized gains and losses on investments, are included in the Statement of Activities. Interest and dividends and gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

The Organization invests in various investment products. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and any such changes could materially affect the amounts reported in the Statements of Financial Position.

Description of Net Assets

The Organization is subject to the provisions of *Presentation of Financial Statements for Not-for-Profit Entities* in accordance with *Topic 958*. This guidance includes presentation of two classes of net assets and enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions.

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

- *Without Donor Restrictions* - are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- *With Donor Restrictions* are net assets subject to donor-imposed stipulations that may or will be met either by the actions of the Organization and/or the passage of time. Restricted contributions whose restrictions are met in the same reporting period are reflected as contributions without donor restrictions by the Organization.

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support and Revenue

The Organization is a recipient of a grant from a Federal Agency that provides funding for the Organization's food program. Support from this grant is recognized in the period earned and can only be utilized for program eligible food expenses. The grant requires the fulfillment of certain conditions as set forth in the instrument of the grant and failure to fulfill the conditions could result in return of the funds to the grantor.

The Organization's donations from public and private foundations, fundraising events and other sources are recognized when these revenues are received.

Donated Services

The value of donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services.

Functional Allocation of Expenses

The costs of providing the various projects and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the various projects and the supporting services benefited.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and California Franchise Tax Board under Section 23701(d). Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal income tax returns have a three-year statute of limitations, and the state income tax returns have a four-year statute of limitations.

The Organization evaluates all significant tax positions. As of December 31, 2023 and 2022, the Organization does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Organization's policy to recognize any interest and penalties in the year incurred. There was no interest or penalties incurred in 2023 and 2022.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement

In accordance with U.S. generally accepted accounting principles, valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs are internally derived, reflecting what the reporting entity believes to be market assumptions.

U.S. generally accepted accounting principles classifies these inputs in the following hierarchy:

- Level One Inputs - Quoted prices for identical instruments in active market.
- Level Two Inputs - Quoted prices for identical instruments in active market; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level Three Inputs - Instruments with primarily unobservable value drivers.

The methods described above may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies are assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Reclassification

Certain amounts have been reclassified in the 2022 financial statements to be comparative with the amounts reported in 2023. These reclassifications have no effect on the Organization's financial position, results of operations, or cash flows.

3. GRANT REVENUE / RECEIVABLE

Emergency Food and Shelter Program

The Organization receives funding from the Emergency Food and Shelter Program (a Federal Program) to provide food services to people in need. The application is submitted annually in July of each year to receive reimbursement for the cost incurred in providing such services. On May 25, 2022, the Organization was awarded a \$52,000 grant with the Emergency Food and Shelter National Program for the grant period November 1, 2021, through April 30, 2023.

For the years ended December 31, 2023 and 2022, the Organization received and recognized \$26,000, each year, in such funding from the above grant award.

On June 21, 2023, the Organization was awarded a grant in the amount of \$8,438 from the Emergency Food and Shelter Program for the grant period ending December 31, 2023. The total amount of the grant was recognized in 2023.

For the years ended December 31, 2023 and 2022, the Organization recognized a total of \$34,438 and \$26,000, respectively, from the Emergency Food and Shelter Program.

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

4. FIXED ASSETS

Fixed assets consist of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Office Equipment	\$ 4,499	\$ -	\$ -	\$ 4,499
Accumulated Depreciation	\$ 4,499	\$ -	\$ -	\$ 4,499

Depreciation expense for the years ended December 31, 2023 and 2022 was \$-0-.

The depreciation policies followed by the Organization are described in Note (2).

5. INVESTMENTS, AT FAIR VALUE

The Organization invests in a professionally managed portfolio that may include various types of mutual funds and corporate stocks.

At December 31, 2023 and 2022, investments consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash / money accounts	\$ 89,388	\$ 39,152
Equities		
Apple Inc.	-	21,828
United Health Group Inc.	-	7,423
Alphabet Inc.	-	1,774
Mutual funds	206,732	181,289
Total Investments at Fair Value	\$ 296,120	\$ 251,466

Net investment return for the year ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 7,448	\$ 4,820
Realized gains	26,943	319
Unrealized gains and (losses)	12,664	(28,340)
Net Investment Income (Loss)	\$ 47,055	\$ (23,201)

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

5. INVESTMENTS, AT FAIR VALUE (continued)

Fair Value Measurements

For assets measured at fair value on a recurring balance as of December 31, 2023 and 2022, accounting standards require quantitative disclosures about the fair value measurements separately for each major class of assets. The Organization's investments have all been classified at the highest level of hierarchy (Level 1), in which quoted prices are in active markets for identical assets.

6. INVESTMENT IN LIMITED PARTNERSHIP

In March 1992, Hope-Net formed a California Limited Partnership, Hope West Apartments Limited Partnership (Limited Partnership) to acquire certain land, as well as to develop, hold, maintain, and operate such developed land as a low-income housing project. The General Partners were Hope-Net and Los Angeles Community Design Center, and the sole limited partner was Hope-Net. Subsequently, the Limited Partnership Agreement was amended, and the ownership interests of the Partners were transferred as follows:

General Partner Interest

The General Partners initially were Hope-Net and Los Angeles Community Design Center. Their general partnership interest was transferred to West Boulevard General Partnership with Hope-Net and Los Angeles Community Design Center each owning one-half of 1%. Hope-Net's investment in the Limited Partnership, accounted for on the cost method, was \$9,158 as of December 31, 2023 and 2022, respectively.

Limited Partner Interest

The Limited Partner was initially Hope-Net, and their interest was transferred to MHIFED 94 Limited Partnership, who remained the Limited Partner until April 20, 2015. Effective at that date, MHIFED 94 Limited Partnership withdrew from the Partnership and Hope-Net assumed the 99% limited partner interest for a net carrying value of (\$1,387,482). These financial statements only reflect the operations of the Organization and do not report the results of operations and the investment value of its interest in the Hope West Apartments Limited Partnership.

7. LOAN TO LIMITED PARTNERSHIP AND NOTE PAYABLE TO CITY OF LOS ANGELES

The City of Los Angeles (the City) funded a loan in the amount of \$700,200 to Hope-Net in June 1993, to assist the Organization in conducting its neighborhood revitalization activities. The proceeds of the loan were, in turn, loaned to the Limited Partnership to acquire land and to construct a low-income housing apartment project (the Project). The note payable to the City and the Project bear identical terms. Both notes mature 40 years from the date of issuance of the Certificate of Occupancy for the Project. The loans bear simple interest at a rate of 6% per year. Interest is payable from "residual receipts" of the apartment complex, if any, as defined in the Loan Agreement. Interest due and unpaid in any year shall accrue and be paid to the lender from residual receipts in subsequent years. The note payable to the City is secured by a security interest in the loan to the Limited Partnership which is secured by a security interest in favor of Hope-Net in the Project's Deed of Trust. During the years ended December 31, 2023 and 2022 residual receipts of \$1,904 and \$2,185, respectively, were remitted by the Limited Partnership to the City.

HOPE-NET
NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

8. DONATION OF RENT

The Organization is subject to the provisions of the *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in accordance with *Topic 958*, as described in Note (2); and receives free use of office space from a related party. This contribution is valued at \$8,400, each year for the years ended December 31, 2023 and 2022, respectively. The transaction was recorded as contribution revenue and office rent expense.

9. LIQUIDITY AND FUNDS AVAILABLE

The following reflects Hope-Net's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2023 and 2022:

	2023	2022
Financial assets		
Cash	\$ 117,628	\$ 57,376
Investments	296,120	251,466
Loan to limited partner	700,200	700,200
Interest receivable	1,222,333	1,181,087
Investment in limited partnership	9,158	9,158
Total Financial Assets	\$ 2,345,439	\$ 2,199,287
Less those unavailable for general expenditure within one year, due to:		
Loan, net collection beyond one one year	(700,200)	(700,200)
Interest receivable, net collection beyond one year	(1,222,333)	(1,181,078)
Investments, not convertible to cash within next 12 months	(9,158)	(9,158)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 413,748	\$ 308,851

10. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2023, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 2, 2024, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**To the Board of Directors
Hope-Net**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of **Hope-Net (the Organization)**, which comprise the statement of financial position as of **December 31, 2023**, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoffman, Short, Rubin, DeWinter, Sanderson

**HOFFMAN, SHORT, RUBIN, DEWINTER, SANDERSON
AN ACCOUNTANCY CORPORATION**

**Covina, California
May 2, 2024**