

STAR OF HOPE MISSION
FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT
DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Star of Hope Mission

Report on the Audit of the Financial Statements**Opinion**

We have audited the accompanying financial statements of Star of Hope Mission (the Mission) (a Texas non-profit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 the Mission 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, 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 the Mission'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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 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 the Mission'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 the Mission'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2024, on our consideration of the Mission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Mission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mission's internal control over financial reporting and compliance.



HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 26, 2024

STAR OF HOPE MISSION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 7,141,243	\$ 6,330,799
Receivables	1,590,757	1,543,431
United Way receivables	-	29,478
Pledges receivable, net	1,332,539	1,482,688
Short-term investment securities	12,466,284	9,522,198
Prepaid expenses and other assets	894,830	549,941
Land, buildings and equipment, net	57,492,720	59,041,761
Long-term investment securities	-	511,364
Right of use assets, net	1,845,249	2,151,984
Beneficial interest in Trees of Hope	57,244	403,291
 TOTAL ASSETS	 \$ 82,820,866	 \$ 81,566,935
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,687,946	\$ 2,995,227
Notes payable and line of credit	5,877,380	1,436,818
Operating leases liability	1,924,356	2,203,000
 TOTAL LIABILITIES	 11,489,682	 6,635,045
NET ASSETS		
Without donor restrictions	65,938,318	69,697,123
With donor restrictions	5,392,866	5,234,767
 TOTAL NET ASSETS	 71,331,184	 74,931,890
 TOTAL LIABILITIES AND NET ASSETS	 \$ 82,820,866	 \$ 81,566,935

See accompanying notes.

**STAR OF HOPE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	\$ 20,253,430	\$ 1,684,806	\$ 21,938,236
Special events, net	347,219	1,291,834	1,639,053
In-kind contributions	3,238,947	-	3,238,947
Grants from government agencies	1,486,920	-	1,486,920
Client fees	28,820	-	28,820
Investment return, net	2,782,779	-	2,782,779
Net change in beneficial interest in Trees of Hope	(6,047)	-	(6,047)
Miscellaneous	224,923	-	224,923
Net assets released from restrictions	2,818,541	(2,818,541)	-
Total public support and revenues	31,175,532	158,099	31,333,631
Expenses:			
Program Services			
Men's Development Center	6,319,455	-	6,319,455
Women and Family Development Center	14,855,143	-	14,855,143
Extended Services	2,891,489	-	2,891,489
Total program services	24,066,087	-	24,066,087
Management and general	5,494,613	-	5,494,613
Fundraising	5,373,637	-	5,373,637
Total expenses	34,934,337	-	34,934,337
Change in net assets	(3,758,805)	158,099	(3,600,706)
Net Assets, beginning of year	69,697,123	5,234,767	74,931,890
Net Assets, end of year	\$ 65,938,318	\$ 5,392,866	\$ 71,331,184

STAR OF HOPE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	\$ 19,728,821	\$ 2,941,279	\$ 22,670,100
Special events, net	336,639	1,209,856	1,546,495
In-kind contributions	2,571,561	-	2,571,561
Grants from government agencies	1,283,757	-	1,283,757
Client fees	88,716	-	88,716
Investment return, net	(1,796,615)	-	(1,796,615)
Net change in beneficial interest in Trees of Hope	(12,314)	-	(12,314)
Miscellaneous	247,390	-	247,390
Net assets released from restrictions	4,485,133	(4,485,133)	-
 Total public support and revenues	 26,933,088	 (333,998)	 26,599,090
 Expenses:			
Program Services			
Men's Development Center	5,907,602	-	5,907,602
Women and Family Development Center	13,684,247	-	13,684,247
Extended Services	2,708,283	-	2,708,283
 Total program services	22,300,132	-	22,300,132
Management and general	3,323,289	-	3,323,289
Fundraising	5,176,614	-	5,176,614
 Total expenses	 30,800,035	 -	 30,800,035
 Change in net assets	 (3,866,947)	 (333,998)	 (4,200,945)
 Net Assets, beginning of year	 73,564,070	 5,568,765	 79,132,835
 Net Assets, end of year	 \$ 69,697,123	 \$ 5,234,767	 \$ 74,931,890

See accompanying notes.

**STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Men's Development Center	Women and Family Development Center	Extended Services				
Salaries	\$ 2,777,639	\$ 6,132,394	\$ 1,255,612	\$ 10,165,645	\$ 1,902,983	\$ 1,317,068	\$ 13,385,696
Benefits	473,603	1,210,646	285,559	1,969,808	358,432	245,199	2,573,439
Payroll taxes	209,523	462,796	94,929	767,248	135,228	96,843	999,319
Workers compensation	<u>12,354</u>	<u>24,934</u>	<u>3,358</u>	<u>40,646</u>	<u>1,649</u>	<u>1,170</u>	<u>43,465</u>
Total salaries and related expenses	3,473,119	7,830,770	1,639,458	12,943,347	2,398,292	1,660,280	17,001,919
Temporary help services	123,305	436,980	-	560,285	165,547	10,795	736,627
Professional fees and contract services	267,548	587,669	6,206	861,423	297,529	355,904	1,514,856
Supplies	320,190	500,558	50,619	871,367	6,163	2,354	879,884
Telephone	70,255	162,785	33,921	266,961	38,188	24,772	329,921
Postage and handling	3,777	6,538	1	10,316	9,721	217,696	237,733
Occupancy	614,619	1,221,555	44,383	1,880,557	376,070	12,844	2,269,471
Equipment rent, maintenance and purchase	258,230	342,111	24,975	625,316	136,689	671,464	1,433,469
Printing and publications	17,356	34,962	522	52,840	53,682	685,361	791,883
Travel and transportation	37,226	79,121	35,701	152,048	15,091	7,610	174,749
Assistance to individuals and ministries	25,957	58,599	628,690	713,246	-	-	713,246
Donor acquisition	-	-	-	-	-	1,272,974	1,272,974
Interest expense	630	63,269	-	63,899	206,230	-	270,129
Miscellaneous expense	<u>56,088</u>	<u>159,311</u>	<u>32,350</u>	<u>247,749</u>	<u>239,146</u>	<u>180,604</u>	<u>667,499</u>
Total operating expenses	5,268,300	11,484,228	2,496,826	19,249,354	3,942,348	5,102,658	28,294,360
In-kind donations expense	713,440	1,586,326	375,057	2,674,823	840	270,979	2,946,642
Depreciation expense	337,715	1,784,589	19,606	2,141,910	24,064	-	2,165,974
Capital campaign write offs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,527,361</u>	<u>-</u>	<u>1,527,361</u>
Total expenses by function	6,319,455	14,855,143	2,891,489	24,066,087	5,494,613	5,373,637	34,934,337
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	654,087	654,087
Investment fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312</u>	<u>-</u>	<u>312</u>
Total expenses	<u>\$ 6,319,455</u>	<u>\$ 14,855,143</u>	<u>\$ 2,891,489</u>	<u>\$ 24,066,087</u>	<u>\$ 5,494,925</u>	<u>\$ 6,027,724</u>	<u>\$ 35,588,736</u>

See accompanying notes.

STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Men's Development Center	Women and Family Development Center	Extended Services				
Salaries	\$ 2,673,640	\$ 5,520,341	\$ 1,179,857	\$ 9,373,838	\$ 1,711,206	\$ 1,502,122	\$ 12,587,166
Benefits	389,659	946,047	225,920	1,561,626	234,628	225,496	2,021,750
Payroll taxes	201,558	427,331	91,787	720,676	122,126	110,744	953,546
Workers compensation	<u>17,092</u>	<u>30,725</u>	<u>4,318</u>	<u>52,135</u>	<u>2,072</u>	<u>1,742</u>	<u>55,949</u>
Total salaries and related expenses	3,281,949	6,924,444	1,501,882	11,708,275	2,070,032	1,840,104	15,618,411
Temporary help services	84,691	450,838	-	535,529	196,972	18,758	751,259
Professional fees and contract services	247,264	607,182	9,918	864,364	294,158	298,419	1,456,941
Supplies	243,671	401,664	73,142	718,477	7,843	3,564	729,884
Telephone	55,928	148,625	31,355	235,908	41,743	22,618	300,269
Postage and handling	3,907	7,618	15	11,540	11,717	220,198	243,455
Occupancy	600,112	1,000,136	62,160	1,662,408	328,928	15,004	2,006,340
Equipment rent maintenance and purchase	120,785	421,033	19,057	560,875	144,471	576,118	1,281,464
Printing and publications	16,926	32,669	922	50,517	57,500	627,270	735,287
Travel and transportation	38,914	90,193	29,363	158,470	14,814	8,300	181,584
Assistance to individuals and ministries	24,662	47,654	622,674	694,990	-	-	694,990
Donor acquisition	-	-	-	-	-	1,223,924	1,223,924
Interest expense	980	46,558	-	47,538	-	-	47,538
Miscellaneous expense	<u>33,736</u>	<u>74,986</u>	<u>33,818</u>	<u>142,540</u>	<u>112,487</u>	<u>230,312</u>	<u>485,339</u>
Total operating expenses	4,753,525	10,253,600	2,384,306	17,391,431	3,280,665	5,084,589	25,756,685
In-kind donations expense	839,563	1,419,559	305,080	2,564,202	22,529	92,025	2,678,756
Depreciation expense	<u>314,514</u>	<u>2,011,088</u>	<u>18,897</u>	<u>2,344,499</u>	<u>20,095</u>	<u>-</u>	<u>2,364,594</u>
Total expenses by function	5,907,602	13,684,247	2,708,283	22,300,132	3,323,289	5,176,614	30,800,035
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	613,328	613,328
Investment fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,061</u>	<u>-</u>	<u>60,061</u>
Total expenses	<u>\$ 5,907,602</u>	<u>\$ 13,684,247</u>	<u>\$ 2,708,283</u>	<u>\$ 22,300,132</u>	<u>\$ 3,383,350</u>	<u>\$ 5,789,942</u>	<u>\$ 31,473,424</u>

See accompanying notes.

STAR OF HOPE MISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,600,706)	\$ (4,200,945)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net realized and unrealized (gain) loss on marketable securities	(2,421,915)	1,974,179
Depreciation	2,165,974	2,364,594
Non cash operating lease expense	28,091	51,016
Net change in beneficial interest in Trees of Hope	346,047	(27,686)
(Increase) decrease in operating assets:		
Receivables	(47,326)	840,018
United Way receivable	29,478	468,030
Pledges receivable, net	150,149	632,672
Prepaid expenses and other assets	(344,889)	194,918
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	692,719	861,647
Deferred rent	-	(70,746)
	598,328	7,288,642
Total adjustments		
Net cash (used) provided by operating activities	(3,002,378)	3,087,697
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of investment securities	4,713,901	10,298,533
Purchase of investment securities	(4,724,708)	(10,758,103)
Purchase of land, buildings and equipment	(616,933)	(337,761)
	(627,740)	(797,331)
Net cash used by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on vehicle notes payable	(33,924)	(30,734)
Payments on construction loan account	(1,375,514)	(100,000)
Draws on line of credit	5,850,000	-
	4,440,562	(130,734)
Net cash provided (used) by financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	810,444	2,159,632
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	6,330,799	4,171,167
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 7,141,243	\$ 6,330,799

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Star of Hope Mission (the Mission) is a Christ-centered community dedicated to meeting the needs of homeless men, women and their children. Positive life changes are encouraged through structured programs which focus on spiritual growth, education, employment, life management and recovery from substance abuse. Residents are provided with individual counseling services, referrals and other assistance designed to obtain permanent housing and make lasting life changes. During the year, the Mission operated two facilities:

The Men’s Development Center - a three-story downtown facility housing nearly 300 men, providing emergency shelter and life-recovery services to men at various stages of self-sufficiency.

The Women and Family Development Center - a campus-like facility with housing for over 500, providing emergency shelter and life-recovery services for single women and single-parent families at various stages of self-sufficiency, which began operations in August 2017. It is also occupied by other nonprofit organizations that provide permanent supportive housing, job readiness training and after school programs for children. The Mission will continue development of the campus in future years as demand for additional services materializes.

Additionally, the Mission’s Extended Services program ministers to those on the brink of homelessness, the street homeless, and those who have exited homelessness by providing rent assistance, distribution of food and clothing, and operation of two supportive housing programs.

Concentration of Credit and Market Risk - Financial instruments which subject the Mission to concentrations of credit risk consist principally of cash and cash equivalents, receivables, and investment securities. The Mission places its cash and cash equivalents with a financial institution it believes to be creditworthy. Deposits with the financial institution may exceed the amount of federal deposit insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, the Mission periodically evaluates the stability of the financial institution.

The Mission’s investment securities subject the Mission to various levels of risk associated with economic, operating, and political events beyond management’s control. Consequently, management’s judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Mission’s investments. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is possible that changes in risks in the near term could materially impact the amounts reflected in the accompanying financial statements.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States (GAAP). 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. Actual results could vary from the estimates that were used.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Mission considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents is cash restricted for client savings accounts totaling \$325,904 and \$287,666 at December 31, 2023 and 2022, respectively.

Donations in Transit - Contributions postmarked by December 31 and received in January are included in receivables as donations in transit and contributions revenue in the current year.

Pledges Receivables - Generally, no collateral or other security is required to support receivables. An allowance for uncollectible accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific contributors, historical trends, current conditions, and forward looking analysis. At December 31, 2023 and 2022, pledges from three and seven donors represented 53% and 86% of pledges, respectively.

Investment Securities - All investment securities are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income or loss (including realized and change in unrealized gains and losses on marketable securities, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

It is the policy of the Mission to promptly sell all donated securities.

Land, Buildings and Equipment - Purchased land, buildings and equipment are recorded at cost. Donated land, buildings and equipment are recorded at fair value at the date of donation. Buildings and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets, generally as follows:

Buildings and improvements	5-40 years
Equipment, furniture, computers and software	5-12 years
Vehicles	5-6 years

Financial Statement Presentation - Information regarding the financial position and activities of the Mission is reported in two categories as follows:

Net Assets Without Donor Restrictions - represent expendable funds available for operations which are not otherwise limited by donor restrictions.

Net Assets With Donor Restrictions - consist of (i) contributed funds subject to donor or grantor imposed restrictions related to a specific purpose or requiring a specific passage of time before the funds can be spent, and (ii) contributed funds subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity for the purpose of generating investment income to fund current operations.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, amortization, and occupancy which are allocated on a square footage basis, as well as salaries and related benefits which are allocated on the basis of the number of direct program staff combined with estimates of time and effort for certain executive and support staff. Joint costs of activities that include a fundraising appeal are allocated based on management's estimate of the content ratio of the promotional materials.

Contributions - Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate which was 2% at both December 31, 2023 and 2022. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

A portion of the Mission's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts awarded are recognized as revenue when the Mission has incurred expenditures in compliance with specific contract or grant provisions. Consequently, at December 31, 2023 and 2022, grant awards approximating \$1,033,000 and \$1,054,000, respectively, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not been met.

The Mission reports gifts of property and equipment as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

If the only restriction on the unconditional promise to give is the construction or purchase of specified long-lived assets and absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions as the donated or acquired long-lived assets are placed in service.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts in Kind - Donations are recorded as in-kind contributions at the estimated fair value of the gift. Food is recorded at the time of receipt, based on pre-established standards. Donations of clothing are not recorded until distributed to clients or other relief organizations. At the time of distribution, both the contribution value and related program expense are computed using standards set by management and which approximate the fair value for second-hand clothing.

Donated Services - Donated services are reported as in-kind contributions at fair value if the service would typically need to be purchased by the Mission if they had not been provided by contribution, required specialized skills and were provided by individuals with those skills. For the years ended December 31, 2023 and 2022, the Mission recorded \$1,226,199 and \$1,009,419 of donated professional services, respectively. In addition, many individuals also volunteer their time and perform a variety of tasks that assist the Mission with specific client assistance programs, general maintenance and other projects. The Mission received more than 29,600 (unaudited) and 15,800 (unaudited) volunteer hours during 2023 and 2022, respectively, which are not reflected as revenues or expenses in the financial statements.

Income Taxes - The Mission through the year ended December 31, 2021 was a not-for-profit organization that was exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission applied with the Internal Revenue Service (IRS) during 2022 to change its exempt classification to a church under Section 170(b)(1)(A)(vi). The request was approved December 5, 2022. The Mission continues to be subject to taxes on unrelated business income. There was no unrelated business income tax expense in 2023 and 2022.

The Mission believes that all significant tax positions utilized by the Mission will more likely than not be sustained upon examination. As of December 31, 2023, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2020 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities. Beginning for the year ended December 31, 2022, the Mission no longer has an annual exempt organization filing requirement.

Leases - The Mission determines if an arrangement is a lease at inception. The Mission recognizes lease expense for short-term leases as payments are made. Long-term operating leases are included in right of use assets (ROU assets) and operating lease liabilities.

ROU assets represent the Mission's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Mission uses the implicit rate when readily determinable. As most of the Mission's leases do not provide an implicit rate, an incremental borrowing rate is used in determining the present value of lease payments based on the information available at the commencement date. The Mission elected the practical expedient to utilize a risk free interest rate (the US Treasury rate) as the incremental borrowing rate. The ROU asset also includes any lease payments made and excludes lease incentives received. The Mission's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

**STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standard Adopted in 2023 - In June 2016, the FASB issued guidance on credit impairment for short-term receivables which, as amended, introduced the recognition of management's current estimate of credit losses that are expected to occur over the remaining life of a financial asset. The Mission adopted this guidance on January 1, 2023, using the optional transition method of recognizing any cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. There was no impact of the adoption of the new standard to the Mission's financial statements. Prior periods were not retrospectively adjusted.

Subsequent Events - The Mission has evaluated subsequent events through June 26, 2024, the date the financial statements were available to be issued. No subsequent events occurred or require adjustment or additional disclosure to the financial statements.

NOTE B LIQUIDITY AND AVAILABILITY

The Mission manages its liquidity by (i) developing a board approved annual budget that is cash neutral or reflects a surplus, (ii) monitoring liquidity with monthly cash flow projections, and (iii) when necessary, utilizing a \$7,500,000 bank revolving credit line, as disclosed in Note G, to assist with unanticipated liquidity needs. In addition, as discussed in Note I, the Mission's Board of Trustees has established a policy that 4% of the net asset value of the endowment funds, computed at the beginning of the year, may be transferred to operations annually. This amount is not included in the table of financial assets below.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 6,815,339	\$ 6,043,133
Receivables	1,590,757	1,543,431
United Way receivables	-	29,478
Pledges receivable, net	1,132,539	1,082,688
Beneficial interest in Trees of Hope	57,244	403,291
Other assets	-	7,652
	\$ 9,595,879	\$ 9,109,673

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE C RECEIVABLES

Receivables consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Government grants	\$ 193,568	\$ 284,527
Donations in transit	1,123,799	1,242,814
Miscellaneous	<u>273,390</u>	<u>16,090</u>
	<u>\$ 1,590,757</u>	<u>\$ 1,543,431</u>

NOTE D PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Receivables due in less than one year	\$ 1,229,694	\$ 1,457,543
Receivables due in one to five years	-	-
Receivables due after five years	200,000	200,000
Less allowance for uncollectible pledges	(73,398)	(151,098)
Less discount on long-term pledges receivable	<u>(23,757)</u>	<u>(23,757)</u>
Total pledges receivable, net	<u>\$ 1,332,539</u>	<u>\$ 1,482,688</u>

NOTE E LAND, BUILDINGS AND EQUIPMENT

At December 31, 2023 and 2022, the cost and accumulated depreciation of land, buildings and equipment were as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 8,568,760	\$ 8,568,760
Land improvements	7,024,540	7,024,540
Buildings and improvements	54,734,727	54,382,370
Equipment and furniture	2,970,653	2,952,646
Vehicles	838,805	787,575
Computers and software	3,247,020	3,146,138
Construction in progress	<u>293,372</u>	<u>198,914</u>
	77,677,877	77,060,943
Less accumulated depreciation	<u>(20,185,157)</u>	<u>(18,019,182)</u>
	<u>\$ 57,492,720</u>	<u>\$ 59,041,761</u>

NOTE E LAND, BUILDINGS AND EQUIPMENT (CONTINUED)

During 2023 the Mission indefinitely suspended a proposed capital campaign, resulting in a write-off of accumulated costs of \$1,527,361 associated with the campaign. These costs are included in Management and General expense for year ended December 31, 2023.

NOTE F RETIREMENT PLAN

The Mission has established a defined contribution retirement plan commonly referred to as a 401(k) plan. Employees may choose to defer a portion of their compensation and the investments are selected by the employees. The Mission, at its discretion, may choose to make contributions to the plan. The Mission's contribution is vested on a graduated scale over six years. At the end of six years of service, the employee is fully vested. For the years ended December 31, 2023 and 2022, the Mission's contributions to the plan were approximately \$343,000 and \$450,000, respectively.

NOTE G NOTES PAYABLE AND LINE OF CREDIT

On April 12, 2016, the Mission entered into a Construction Loan Agreement to finance construction of improvements at the Women and Family Development Center. The loan agreement, as amended on September 1, 2017 and September 27, 2018, consisted of two loans: (i) a \$4,000,000 advancing term loan (Fixed Loan), which was paid off in 2020, and (ii) a \$6,000,000 advancing term loan (Floating Loan), as discussed further below. The Mission could request advances through December 31, 2018, and advances were made pro rata between the Fixed Loan and Floating Loan. The loans are secured by a first lien deed of trust on the Women and Family Development Center property and improvements totaling approximately \$59,000,000. The Mission is under restrictive covenants limiting additional borrowings.

Monthly interest payments are required for the duration of the loan, based on the following:

Floating Loan - The interest rate on outstanding borrowings will be floating at 30-day AMERIBOR + 175 basis points for December 31, 2023 and 2022 (indicative rate of 6.83% and 5.82% at December 31, 2023 and 2022, respectively).

In addition to monthly interest payments, a final installment in the amount of all outstanding principal, plus accrued and unpaid interest, was due and payable on April 12, 2021. The Mission refinanced the Construction loan, which extended the maturity date to June 1, 2026. The total outstanding balance of principal plus accrued and unpaid interest was paid in full during 2023.

The Mission has a \$7,500,000 revolving line of credit (LOC) provided through the Mission's bank. The LOC is subject to a \$3,000,000 liquidity requirement (defined as cash and cash equivalents, plus investments). The credit line was extended from November 2022 and becomes due in full for all outstanding borrowings in November 2025. Prepayment of the amount outstanding is allowed. Interest is charged at the 30-day SOFR 1 month rate plus 175 basis points (7.11% and 6.05% for December 2023 and 2022, respectively) and is due monthly.

**STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE G NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)

Notes payable and line of credit consist of the following at December 31, 2023 and 2022:

	2023	2022
Vehicle notes payable due monthly through October 2024	\$ 27,380	\$ 61,304
Revolving Line of Credit maturing November 2025	5,850,000	-
Floating loan maturing in June 2026	-	1,375,514
	\$ 5,877,380	\$ 1,436,818

NOTE H NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2023 and 2022:

	2023	2022
Subject to expenditure for specific purpose:		
Client programs	\$ 2,413,852	\$ 2,095,009
Land, buildings, and equipment and related debt service	532,607	813,229
	2,946,459	2,908,238
Subject to passage of time:		
For periods after December 31	1,291,834	1,209,856
Subject to the Mission's spending policy and appropriation:		
Perpetual endowment fund	1,154,573	1,116,673
	\$ 5,392,866	\$ 5,234,767

**STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE H NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows at December 31, 2023 and 2022:

	2023	2022
Satisfaction of program restrictions	\$ 740,922	\$ 3,126,045
Satisfaction of equipment acquisition restrictions	945,723	274,284
Expiration of time restrictions	1,131,896	1,084,804
	\$ 2,818,541	\$ 4,485,133

NOTE I ENDOWMENT FUNDS

The Mission's Board of Trustees has established an endowment fund to provide funding for long-term needs, where the funds contributed by donors are not spent immediately, but are invested to provide a stream of earnings which can then be used or reinvested for later needs. Donations to the endowment are considered made without donor restrictions, unless restricted by the donor to be included as part of the permanent endowment. The Mission has also established a Finance and Endowment Committee to administer the ongoing activities of the endowment and to ensure that proper records and controls are maintained to comply with donors' specific conditions.

The Mission's Board of Trustees has established a policy that at least 4% of the net asset value of this fund, computed at the beginning of the year, may be transferred to operations annually. Expending any amount in excess of 4% of the net asset value of the endowment or expending any portion of the initial contributions (both donor contributions and Mission transfers) to the endowment requires Finance and Endowment Committee recommendation and the vote of 75% of the entire Board of Trustees.

The endowment funds are invested in accordance with an investment policy. The primary objectives, as stated in the policy, are preservation of capital and to achieve returns in excess of the rate of inflation to preserve purchasing power of the funds, while controlling risk.

The Mission also has a perpetual endowment fund. The Mission has interpreted The Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the Mission classifies the original value of the gifts donated to the perpetual endowment as net assets with donor restrictions. The net appreciation or depreciation to the endowment fund investment accounts is classified as board designated net assets.

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE I ENDOWMENT FUNDS (CONTINUED)

The composition of and changes in endowment net assets as of December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions (Required to be Retained)	Total
<u>2023</u>			
Endowment net assets, beginning of year	\$ 8,955,434	\$ 1,116,673	\$ 10,072,107
Contributions received	-	37,900	37,900
Investment returns, net (including investment fees of \$312)	2,605,732	-	2,605,732
Appropriations of endowment net assets	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Endowment net assets, end of year	<u>\$ 11,311,166</u>	<u>\$ 1,154,573</u>	<u>\$ 12,465,739</u>
 <u>2022</u>			
Endowment net assets, beginning of year	\$ 10,749,679	\$ 1,075,000	\$ 11,824,679
Contributions received	-	41,673	41,673
Investment returns, net (including investment fees of \$60,061)	<u>(1,794,245)</u>	<u>-</u>	<u>(1,794,245)</u>
Endowment net assets, end of year	<u>\$ 8,955,434</u>	<u>\$ 1,116,673</u>	<u>\$ 10,072,107</u>

NOTE J JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUNDRAISING APPEAL

The Mission conducts various activities that include requests for contributions as well as program and general and administrative components. These activities include advertising, public relations, and print communications. The costs associated with these activities include joint costs not directly attributable to any single function. During the years ended December 31, 2023 and 2022, these costs were allocated among the following functional expense categories as follows:

	2023	2022
Fund Raising	\$ 2,372,260	\$ 2,953,979
Men's Development Center	77,417	71,094
Women and Family Development Center	156,085	144,405
Management and general	<u>519,356</u>	<u>493,903</u>
	<u>\$ 3,125,118</u>	<u>\$ 3,663,381</u>

NOTE K FAIR VALUE MEASUREMENTS

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

These inputs are summarized in the three broad levels listed below:

Level 1 - Unadjusted quoted prices for identical financial instruments in active markets that the Mission has the ability to access.

Level 2 - Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using significant management judgment or estimation.

The following is a description of the valuation techniques used for assets measured at fair value.

Equity securities and mutual funds are actively traded securities. Valuation inputs normally include quoted bid price in active markets for identical assets.

Alternative investments consist of a fund of funds which include investment vehicles such as equity securities and mutual funds listed on the NASDAQ stock exchange. The fair value of the alternative investment is determined by the fund's manager based on the fair value of the underlying assets. They have no contractual investment period and are used to further diversify the investment portfolio.

There have been no changes in the techniques used during 2023 and 2022. There were no significant transfers in and/or out of the fair value categories during 2023 and 2022. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Mission believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of financial instruments are categorized as follows as of December 31, 2023 and 2022:

	2023			Total
	Level 1	Level 2	Level 3	
Equity securities:				
Common stock	\$ 545	\$ -	\$ -	\$ 545
Mutual fund:				
Vanguard S&P 500 Index Fund	<u>12,465,739</u>	<u>-</u>	<u>-</u>	<u>12,465,739</u>
	<u>\$ 12,466,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,466,284</u>
	2022			Total
	Level 1	Level 2	Level 3	
Equity securities:				
Common stock	\$ 9,843	\$ -	\$ -	\$ 9,843
Mutual fund:				
Vanguard S&P 500 Index Fund	9,512,355	-	-	9,512,355
Alternative investments:				
Fund of funds	<u>-</u>	<u>511,364</u>	<u>-</u>	<u>511,364</u>
	<u>\$ 9,522,198</u>	<u>\$ 511,364</u>	<u>\$ -</u>	<u>\$ 10,033,562</u>

NOTE L LEASES

The Mission leases office, warehouse and activity center space under operating leases expiring from 2024 to 2032. Future minimum lease payments are as follows as of December 31, 2023:

2024	\$ 453,702
2025	272,128
2026	190,457
2027	175,500
2028	182,520
Thereafter	<u>806,160</u>
Total minimum lease payments	2,080,467
Less: Imputed interest	<u>(156,111)</u>
Present value of operating lease liabilities	<u>\$ 1,924,356</u>
Weighted-average remaining lease term (years)	7.3
Weighted-average discount rate	2.0%

**STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE L LEASES (CONTINUED)

Total rent expense, including rent assistance for clients of New Hope Housing (an unrelated non-profit organization) of \$628,477 and \$591,382, amounted to \$1,246,616 and \$1,154,767 for 2023 and 2022, respectively. The following table provides details regarding the components of operating lease expense for the years ended December 31, 2023:

	2023	2022
Operating lease expense components		
Leases with term greater than 12 months	\$ 475,092	\$ 486,783
Leases with term of 12 months or less	771,524	667,984
Total operating lease expense	\$ 1,246,616	\$ 1,154,767

Right of use asset additions are offset by a corresponding increase to operating lease liabilities and do not impact the consolidated statement of cash flows at commencement. For the years ended December 31, 2023 and 2022 right of use assets obtained in exchange for operating lease liabilities totaled \$126,813 and \$2,590,483, respectively.

NOTE M RELATED PARTIES

Trees of Hope is a charitable 501(c)(3) corporation that donates the net proceeds from its fundraising activities to the Mission. Trees of Hope is controlled by a Board of Directors separate from that of the Mission; therefore, consolidated financial statements are not required. Instead, the Mission records its beneficial interest in the net assets of Trees of Hope. Contributions recorded during 2023 and 2022 totaled \$390,000 and \$370,000, respectively.

NOTE N COMMITMENTS AND CONTINGENCIES

Amounts received from government and other grants require the fulfillment of certain conditions as set forth in the grant contracts. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the Mission. In management's opinion, disallowed claims, if any, would not have a material adverse effect on the Mission's financial position or results of operations.

In August 2011, the Mission executed a Deed of Trust covering the Men's Development Center in favor of the Federal Home Loan Bank of Dallas in exchange for funding of a grant in the amount of \$500,000. The funds were used to partially rehabilitate the facility and under the Agreement, the Mission must continue to use the facility to meet the needs of the homeless for a fifteen-year term. Repayment would be required if the Mission were to change the use or sell the property. The Mission also has certain annual reporting requirements under the agreement.

NOTE N COMMITMENTS AND CONTINGENCIES (CONTINUED)

In January 2018, the Mission executed a Deed of Trust covering the single women's residential building at the Women and Family Development Center in favor of the Federal Home Loan Bank of Dallas in exchange for funding of a grant in the amount of \$500,000. The funds were used to partially finance construction of the building and under the agreement, the Mission must continue to use the facility to meet the needs of the homeless for a fifteen-year term. Repayment would be required if the Mission were to change the use or sell the property. The Mission also has certain annual reporting requirements under the agreement.

In June 2019, the Mission executed a Deed of Trust covering the Men's Development Center in favor of the Federal Home Loan Bank of Dallas in exchange for funding of a grant in the amount of \$209,304. The funds were used to partially rehabilitate the facility and under the Agreement, the Mission must continue to use the facility to meet the needs of the homeless for a fifteen-year term. Repayment would be required if the Mission were to change the use or sell the property. The Mission also has certain annual reporting requirements under the agreement.

NOTE O SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2023</u>	<u>2022</u>
Cash paid during the year for:		
Interest	<u>\$ 234,326</u>	<u>\$ 47,538</u>

**SINGLE AUDIT REPORTS ON EXPENDITURES OF
FEDERAL AWARD PROGRAMS**

**STAR OF HOPE MISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Number	Contract or Pass-through Grantor's I.D. Number	Current Year Revenue	Current Year Expenditures
U.S. Department of Housing and Urban Development				
Office of Community Planning and Development				
Continuum of Care Program	14.267	TX0299L6E002110	\$ 1,054,288	\$ 1,054,288
Continuum of Care Program	14.267	TX0299L6E002211	<u>138,624</u>	<u>138,624</u>
Total U.S. Department of Housing and Urban Development			1,192,912	1,192,912
U.S. Department of Agriculture				
Department of Agriculture Food and Nutrition Service				
Passed through Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	806780706	<u>294,009</u>	<u>294,009</u>
Total Expenditures of Federal Awards			<u>\$ 1,486,921</u>	<u>\$ 1,486,921</u>

STAR OF HOPE MISSION
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

NOTE A BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Star of Hope Mission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Mission has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**STAR OF HOPE MISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Significant deficiencies or material weaknesses related to the audit of the financial statements reported? _____ Yes X No

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Significant deficiencies or material weaknesses related to the internal control over the major federal award programs reported? _____ Yes X No

Type of auditors' report issued on compliance for each major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number

14.267
10.558

Name of Federal Program

Continuum Of Care Program
Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**INDEPENDENT AUDITOR'S 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***

Board of Trustees
Star of Hope Mission

We have audited, in accordance with auditing standards generally accepted in the United States 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 Star of Hope Mission (the Mission), 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 June 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mission'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 Mission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mission'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Mission'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mission's financial statements are free of 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 Mission’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 Mission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Harper & Pearson Company, P.C." in a cursive style.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 26, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Star of Hope Mission

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Star of Hope Mission's (the Mission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Mission's major federal programs for the year ended December 31, 2023. The Mission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Mission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Mission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Mission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Mission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Mission's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Mission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Mission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in dark red ink that reads "Harper & Pearson Company, P.C." in a cursive style.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 26, 2024