

# **HOPE MEDICAL CLINIC, INC.**

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2021

*(With Summarized Comparative Information for 2020)*

# HOPE MEDICAL CLINIC, INC

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To the Board of Directors  
Hope Medical Clinic, Inc.  
Ypsilanti, Michigan

### **Opinion**

We have audited the accompanying financial statements of Hope Medical Clinic, Inc. (Hope) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 Hope Medical Clinic, Inc. as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope'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 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.

To the Board of Directors  
Hope Medical Clinic, Inc.  
Ypsilanti, Michigan

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hope'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'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.

#### **Other Information included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Report on Summarized Comparative Information**

We have previously audited Hope Medical Clinic, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Ann Arbor, Michigan  
May 25, 2022

**HOPE MEDICAL CLINIC, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,447,303	\$ 1,926,054
Promises to give - Hope for Tomorrow Campaign	205,667	-
Promises to give - others	65,000	170,000
Other receivable	4,072	4,033
Prepaid Expenses	3,665	-
	<b>3,725,707</b>	2,100,087
<b>PROPERTY AND EQUIPMENT, net</b>	<b>3,073,952</b>	3,024,638
<b>ENDOWMENT INVESTMENTS, at fair value</b>	<b>3,786,834</b>	3,156,198
<b>OTHER ASSETS</b>		
Promises to give - Hope for Tomorrow Campaign, net of current portion	618,987	100,000
Promises to give - others, net of current portion	9,900	80,000
Other receivable, net of current portion	10,594	14,666
Property held for sale	15,000	15,000
	<b>\$ 11,240,974</b>	<b>\$ 8,490,589</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 27,109	\$ 42,715
Accrued expenses	103,014	75,669
	<b>130,123</b>	118,384
<b>NET ASSETS</b>		
Without donor restrictions	4,415,717	3,883,590
With donor restrictions	6,695,134	4,488,615
	<b>11,110,851</b>	8,372,205
<b>Total liabilities and net assets</b>	<b>\$ 11,240,974</b>	<b>\$ 8,490,589</b>

**HOPE MEDICAL CLINIC, INC.**  
**STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2021, with Comparative Totals for 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021 Total</b>	<b>2020 Total</b>
<b>Revenue</b>				
Grants and contributions	\$ 2,947,806	\$ 216,455	\$ 3,164,261	\$ 2,929,346
Campaign gifts	-	1,597,834	1,597,834	690,000
Donated services	801,128	-	801,128	501,617
Donated supplies	1,536,314	-	1,536,314	1,692,383
Total revenues	5,285,248	1,814,289	7,099,537	5,813,346
<b>Other revenue</b>				
Investment return, net	-	553,316	553,316	459,096
Total other revenue	-	553,316	553,316	459,096
Net assets released from restrictions	161,086	(161,086)	-	-
<b>Total revenue</b>	<b>5,446,334</b>	<b>2,206,519</b>	<b>7,652,853</b>	<b>6,272,442</b>
<b>Expenses</b>				
Program Services				
Medical clinic	1,599,386	-	1,599,386	1,526,292
Dental clinic	666,895	-	666,895	666,574
Basic needs	1,448,332	-	1,448,332	1,178,134
Wayne medical clinic	283,086	-	283,086	206,725
Behavioral health	350,764	-	350,764	288,675
Total program services	4,348,463	-	4,348,463	3,866,400
Supporting Services				
Management and general	286,347	-	286,347	262,593
Fundraising	279,397	-	279,397	227,265
Total support services	565,744	-	565,744	489,858
<b>Total expenses</b>	<b>4,914,207</b>	<b>-</b>	<b>4,914,207</b>	<b>4,356,258</b>
<b>Change in net assets</b>	<b>532,127</b>	<b>2,206,519</b>	<b>2,738,646</b>	<b>1,916,184</b>
Net assets, beginning	3,883,590	4,488,615	8,372,205	6,456,021
Net assets, ending	\$ 4,415,717	\$ 6,695,134	\$ 11,110,851	\$ 8,372,205

**HOPE MEDICAL CLINIC, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**(With Comparative Totals for 2020)**

	Program Services						Supporting Services			Total	
	Medical Clinic	Dental Clinic	Basic Needs	Wayne Medical Clinic	Behavioral Health	Subtotal	Management and General	Fund Raising	Subtotal	2021	2020
Salaries	\$ 323,405	\$ 354,903	\$ 218,652	\$ 129,340	\$ 198,657	\$ 1,224,957	\$ 131,400	\$ 168,790	\$ 300,190	\$ 1,525,147	\$ 1,335,395
Payroll taxes	23,540	24,783	14,433	9,283	14,022	86,061	7,303	11,066	18,369	104,430	90,352
Employee benefits	68,687	40,459	21,515	5,492	10,806	146,959	57,499	18,675	76,174	223,133	156,572
Donated services	552,944	118,079	-	68,250	54,648	793,921	7,207	-	7,207	801,128	501,617
Donated supplies	480,920	300	1,022,205	13,806	13,997	1,531,228	5,086	-	5,086	1,536,314	1,692,383
Program materials	27,099	27,889	43,645	19,320	47,934	165,887	-	-	-	165,887	84,005
Insurance	7,962	6,077	5,500	3,300	1,100	23,939	3,213	-	3,213	27,152	22,314
Office	13,742	10,392	9,200	2,490	1,900	37,724	3,511	13,864	17,375	55,099	49,056
Professional fees	17,674	7,100	5,700	1,400	1,400	33,274	5,605	4,943	10,548	43,822	78,751
Information and technology	18,943	17,682	21,619	3,960	2,700	64,904	6,440	-	6,440	71,344	54,690
Building and utilities	26,300	26,300	47,719	18,407	2,300	121,026	26,556	-	26,556	147,582	128,323
Depreciation and amortization	30,618	23,400	31,142	5,687	-	90,847	17,919	-	17,919	108,766	110,285
Campaign and miscellaneous	7,552	9,531	7,002	2,351	1,300	27,736	14,608	62,059	76,667	104,403	52,515
<b>Total</b>	<b>\$ 1,599,386</b>	<b>\$ 666,895</b>	<b>\$ 1,448,332</b>	<b>\$ 283,086</b>	<b>\$ 350,764</b>	<b>\$ 4,348,463</b>	<b>\$ 286,347</b>	<b>\$ 279,397</b>	<b>\$ 565,744</b>	<b>\$ 4,914,207</b>	<b>\$ 4,356,258</b>

**HOPE MEDICAL CLINIC, INC.**  
**STATEMENTS OF CASH FLOWS**

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,738,646	\$ 1,916,184
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation and amortization	108,766	110,285
Donated securities	(68,950)	(28,678)
Net realized and unrealized gain on investments	(511,626)	(419,447)
Changes in assets and liabilities:		
Promises to give	(549,554)	(88,488)
Other receivable	4,033	(18,699)
Prepaid expenses	(3,665)	-
Accounts payable	(15,606)	26,263
Accrued expenses	27,345	17,683
	<u>1,729,389</u>	<u>1,515,103</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(549,988)	(130,127)
Proceeds from sale of investments	499,928	252,791
Purchases of property and equipment	(158,080)	(34,502)
	<u>(208,140)</u>	<u>88,162</u>
Net cash (used in) provided by investing activities	<u>(208,140)</u>	<u>88,162</u>
<b>NET CHANGE IN CASH</b>	<b>1,521,249</b>	<b>1,603,265</b>
<b>CASH, Beginning</b>	<u>1,926,054</u>	<u>322,789</u>
<b>CASH, Ending</b>	<u><u>\$ 3,447,303</u></u>	<u><u>\$ 1,926,054</u></u>



**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

**Nature of Organization**

The Hope Medical Clinic, Inc. (“Hope”) is a non-profit interdenominational Christian medical social service organization that provides compassionate and practical help to those in need, ministering to the whole person. This includes providing comprehensive health care for the medically indigent and a range of other services aimed either at meeting basic needs or equipping people with the tools needed to improve the quality of their lives and/or to become self-sufficient. These services are provided free of charge. Hope’s operations are funded primarily through private grants and contributions. Hope primarily serves residents of Washtenaw County and western Wayne County.

**Basis of Presentation**

The financial statements of Hope have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”).

Under the provisions of the Guide, net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Hope and changes therein are classified as follows:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hope. These net assets may be used at the discretion of Hope’s management and the Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hope or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Hope reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Measure of Operations**

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Hope's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, and other activities considered to be of a more unusual or nonrecurring nature.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, especially with consideration given to the potential impacts of the coronavirus disease ("COVID-19") pandemic.

**Cash and Cash Equivalents and Credit Risk**

Hope considers all highly liquid investments with original maturities of three months or less to be cash equivalents, except for those amounts that are held in the investment portfolio which are invested for long-term purposes. As of December 31, 2021, Hope does not have any cash equivalents outside of long-term purposes. At times, deposits maintained at local financial institutions may exceed the federally insured limits. Hope has not experienced any losses in such accounts. Management has deemed this as a normal business risk.

**Other Receivable**

This consists of an interest-bearing advance to an officer. It is carried at unpaid principal balances. Interest on the advance is recognized over the term of the advance and is calculated using the simple-interest method on the outstanding principal amount.

**Promises to Give and Allowance for Doubtful Pledges**

Hope records promises to give as contributions when documentation representing an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value at the date of the promise. The fair value is computed using the present value technique applied to anticipated cash flows. Amortization of the resulting discount is included in contribution revenue in the statement of activities. The allowance for doubtful accounts is determined based on management's evaluation of the collectability of individual promises. Management has determined that no valuation allowance is required for promises to give for the years ended December 31, 2021 and 2020. The discount for the year ended December 31, 2021, amounted to \$36,100. The discount for the year ended December 31, 2020, was deemed immaterial.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment are recorded at cost when purchased, or at estimated fair value when received as a donation. Depreciation and amortization of property placed in service is calculated on a straight-line basis over the estimated useful lives of the assets. Property and equipment are capitalized when the cost exceeds \$5,000. Property and equipment not meeting these criteria are expensed in the period of acquisition. Management annually evaluates these assets for impairment.

**Assets Held for Sale**

Assets held for sale are long-lived assets for which Hope has a concrete plan to dispose of the asset by sale. They are carried on balance sheet at the lower of carrying value or fair value and no depreciation is charged on them.

**Investments**

Investment securities purchased are initially recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are stated at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Revenue and Revenue Recognition**

*Contributions*

All contributions are considered to be for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions to which they depend on have been substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Revenue and Revenue Recognition (Continued)**

*Donated Assets*

Hope reports gifts and pledges of land, building, and equipment as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Hope reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated investments are recorded at their estimated fair value when received. Hope immediately sells the donated securities. Accordingly, these receipts are reported as cash flows attributable to operations on the statement of cash flows.

*Donated Services and Supplies*

Services donated by physicians, dentists, nurses, and other professionals are recorded as support and expense. The services are valued at the estimated amounts that would be paid if Hope paid employees for such services. Donated supplies are recorded as support and expense at their estimated fair value when received as a donation.

Approximately 13,500 and 9,400 volunteer hours were provided by medical, dental, and other professionals for the years ended December 31, 2021 and 2020, respectively. The value of these services were estimated to be \$801,128 and \$501,617, respectively. The increase in services was primarily a partial resumption of normal operations after the pandemic.

There are numerous other individuals who volunteer their time and perform a variety of tasks that assist Hope with programs, fundraising, and administrative support. Estimated hours of service in 2021 and 2020 were over 20,728 and 18,800, respectively. These donated services are not recognized in the financial statements because they do not meet the criteria for recognition under ASC topic *Contributions*.

*Revenue Recognition for Contracts with Patrons*

Hope's revenue stream under contracts with patrons is comprised of the exchange component of special events revenue transactions in which the donor and Hope receive something of commensurate value from the special event. Hope performs an analysis to determine the performance obligations associated with the exchange transactions, and revenue recognized when the given performance obligation is satisfied.

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the patron and when the patron can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which Hope expects to be entitled (such as the estimated value of the items received by the donor as part of the special event).

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Revenue and Revenue Recognition (Continued)**

*Agency Transactions*

Hope participates in a program under which pharmaceutical companies provide free or reduced cost medicines to individual qualifying patients. Hope acts as a facilitator to enroll patients in the program and deliver the medicines to patients. Medicines received by Hope to be distributed to patients under this program amounted to \$231,043 and \$170,924 for the years ended December 31, 2021 and 2020, respectively. These amounts are not considered contributions to Hope and are not included as support or expense in these financial statements.

**Expenses Allocation**

The cost of providing program and support services are reported on a functional basis in the statement of functional expense. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Indirect costs including salaries and wages, employee benefits, payroll taxes, supplies, insurance, depreciation, and occupancy have been allocated between programs and support services based on the percentage of the program or supportive service salaries as compared to the whole organization. Such allocations are determined by management on an equitable basis.

**Income Tax Status**

Hope is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Although Hope has been granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income”. In addition, Hope qualifies for charitable contribution deductions under IRS Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Hope believes that it has been operating within tax exempt status and has no unrelated business income.

Hope adopted ASC guidance regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2021 and 2020, there were no uncertain tax positions that require accrual.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Hope-for-Tomorrow Campaign**

Hope has a \$5.5 million campaign, “Hope for Tomorrow”, to expand both its operations and endowments. In addition to strengthening Hope’s current capacity in programs, the intent is to expand the ability of Hope’s endowments to provide a consistent source of ongoing revenue for operations. As of December 31, 2021 and 2020, Hope has achieved campaign balances of \$3,561,505 and \$1,963,671, respectively; of which \$860,654 and \$100,000, respectively, are included in the receivables as promise to give. For the years ended December 31, 2021 and 2020, Hope received campaign gifts amounting to \$1,597,834 and \$690,000, respectively.

**Special Events**

Hope reports special events revenue at net of direct expenses. Due to the pandemic, no special events were reported for the years ended December 31, 2021 and 2020.

**Comparative Financial Information**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**COVID-19**

In response to the pandemic and State of Michigan Executive Orders, Hope altered business operations in 2020 to minimize the spread of the virus. As a direct result of the limits on in-person contact during the majority of 2020, the various programs were continued but with the following adjustments: the Medical Clinics limited in person visits to several days a week and implemented tele-med care, the Dental Clinic only saw emergency visits, behavioral and health and wellness service were moved primarily to virtual or phone contact, laundry services were curtailed to only one person at a time, and all meals and pantry services were on a take-out or delivery basis. Hope has gradually increased inside services in all areas as State of Michigan Executive Orders have allowed. In 2021, the trend continued, albeit with interruptions for temporary surges of the virus. Hope did not return to full regular operations by the end of 2021.

On March 27, 2020, the Coronavirus Aid Relief and Economic Securities Act (“CARES Act”) was signed into law. The CARES Act contains a business relief provision, known as the employee retention payroll tax credit, to encourage businesses to keep employees on their payroll. This refundable tax credit continued in 2021 until the program ended on October 1, 2021. Hope qualified for these credits and earned approximately \$415,000 and \$123,000 in payroll tax credits for the years ended December 31, 2021 and 2020, respectively. The amounts are included in grants and contributions on the statement of activities.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Reclassifications**

Certain 2020 amounts have been reclassified to conform to 2021 presentations. The reclassifications had no effect on previously reported net assets.

**Subsequent Events**

Hope has performed a review of events subsequent to December 31, 2021 through May 25, 2022, the date the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Hope's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	December 31,	
	2021	2020
Financial assets		
Cash	\$ 3,447,303	\$ 1,926,054
Other receivable	14,666	18,699
Promises to give	899,554	350,000
Endowment investments	3,786,834	3,156,198
Total financial assets	8,148,357	5,450,951
Amounts not available for general use		
Other receivable to be collected in more than one year	(10,594)	(14,666)
Net asset with donor restrictions	(6,545,134)	(4,338,615)
Total amounts not available for general use	(6,555,728)	(4,353,281)
Financial assets available to meet general expenditures within one year	\$ 1,592,629	\$ 1,097,670

Hope has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Hope endowment investments consist of donor-restricted endowment, along with amounts available for general use.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 3 – ENDOWMENT INVESTMENTS**

Long term endowment investments are stated at fair value as follows:

	December 31,	
	2021	2020
Cash and equivalents	\$ 31,040	\$ 77,048
Fixed income	1,064,847	800,932
Equity securities	2,601,468	2,200,969
Beneficial interest in AAACF Fund	89,479	77,249
	<u>\$ 3,786,834</u>	<u>\$ 3,156,198</u>

Investment return is composed of the following:

	Years ended December 31,	
	2021	2020
Investment income, net	\$ 41,690	\$ 39,649
Net realized gains	144,909	23,765
Unrealized gains	366,717	395,682
	<u>\$ 553,316</u>	<u>\$ 459,096</u>

Investment income is reported net of related external and direct internal investment expenses in the statement of activities.

**NOTE 4 – FAIR VALUE MEASUREMENT**

ASC topic, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).



**HOPE MEDICAL CLINIC, INC.**  
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**December 31, 2021 and 2020**

**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

The three levels of the fair value hierarchy under ASC topic, *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Hope has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There are no comparable assets or liabilities that Hope has the ability to access.

The asset or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Endowment investments:* Recorded at fair value on a recurring basis as determined using published exchange market quotations as provided by external investment managers. All fair value measurements of investment securities are level 1 measurements except the beneficial interest in funds held by the Ann Arbor Area Community Foundation (the "AAACF").

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

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

The following table presents financial assets measured at fair value on a recurring basis:

<b>Description</b>	<i>December 31, 2021</i>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 31,040	\$ -	\$ -	\$ 31,040
Exchange Traded Funds				
Equity	1,015,805	-	-	1,015,805
Global International Equity	333,806	-	-	333,806
Fixed Income	1,064,847	-	-	1,064,847
Mutual Funds				
Equity	1,251,857	-	-	1,251,857
Beneficial Interest in Funds - AAACF	-	-	89,479	89,479
<b>Total Assets at Fair Value</b>	<b>\$ 3,697,355</b>	<b>\$ -</b>	<b>\$ 89,479</b>	<b>\$ 3,786,834</b>
	<i>December 31, 2020</i>			
<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 77,048	\$ -	\$ -	\$ 77,048
Exchange Traded Funds				
Equity	858,015	-	-	858,015
Global International Equity	278,280	-	-	278,280
Fixed Income	800,932	-	-	800,932
Mutual Funds				
Equity	1,064,674	-	-	1,064,674
Beneficial Interest in Funds - AAACF	-	-	77,249	77,249
<b>Total Assets at Fair Value</b>	<b>\$ 3,078,949</b>	<b>\$ -</b>	<b>\$ 77,249</b>	<b>\$ 3,156,198</b>

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

The following tables set forth a summary of changes in the fair value of Hope’s Level 3 assets measured at fair value on a recurring basis for the years ended December 31:

2021	<b>Beneficial Interest in Funds Held by Ann Arbor Area Community Foundation</b>
Balance of recurring Level 3 assets at January 1, 2021	\$ 77,249
Purchases/contributions of investments	-
Investment return, net	14,910
Distributions	<u>(2,680)</u>
Balance of recurring Level 3 assets at December 31, 2021	<u>\$ 89,479</u>
2020	<b>Beneficial Interest in Funds Held by Ann Arbor Area Community Foundation</b>
Balance of recurring Level 3 assets at January 1, 2020	\$ 71,723
Purchases/contributions of investments	-
Investment return, net	8,161
Distributions	<u>(2,635)</u>
Balance of recurring Level 3 assets at December 31, 2020	<u>\$ 77,249</u>

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 – PROMISES TO GIVE**

Unconditional promises to give consist of grants receivable, pledges receivable, and designations receivable. Management reviews the likelihood of collection of each promise to give and has determined that an allowance is not necessary at December 31, 2021 and 2020, based on management's predictions of donor behavior relative to economic conditions.

Promises to give consist of the following:

	<i>December 31, 2021</i>		
	Due in 1 Year	Due in 1-5 Years	Total
Hope for Tomorrow Campaign	\$ 205,667	654,987	\$ 860,654
Other	65,000	10,000	75,000
Total	<u>270,667</u>	<u>664,987</u>	<u>935,654</u>
Less:			
Discount to net present value	-	(36,100)	\$ (36,100)
	<u>\$ 270,667</u>	<u>\$ 628,887</u>	<u>\$ 899,554</u>

	<i>December 31, 2020</i>		
	Due in 1 Year	Due in 1-5 Years	Total
Hope for Tomorrow Campaign	\$ -	100,000	\$ 100,000
Other	170,000	80,000	250,000
Total	<u>170,000</u>	<u>180,000</u>	<u>350,000</u>
Less:			
Discount to net present value	-	-	\$ -
	<u>\$ 170,000</u>	<u>\$ 180,000</u>	<u>\$ 350,000</u>

Promises to give have been discounted at 3% annual rate. Hope did not provide for a discount on multi-year promises to give for the year ended December 31, 2020 since management has determined that the effective discount rate would produce a value that is not material to these financial statements.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 6 – OTHER RECEIVABLE**

At December 31, 2021 and 2020, Hope was owed \$14,666 and \$18,699 from an officer, respectively. The loan bears interest at 1% with required monthly payment of \$342 through August 2025. The amount is presented as a separate line item on the statement of financial position and is expected to be repaid under normal business terms. For the years ended December 31, 2021 and 2020, interest income was included in miscellaneous income for the amount of \$168 and \$65, respectively.

Maturities of the receivable for each of the next five years after December 31, 2021 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2022	\$ 4,072
2023	4,113
2024	4,154
2025	2,327
	<u>\$ 14,666</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

Hope's property and equipment are summarized as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Building	\$ 3,226,761	\$ 3,098,283
Building improvements	979,152	979,152
Furniture and equipment	506,162	486,194
Land	266,976	266,976
	<u>4,979,051</u>	<u>4,830,605</u>
Less: Accumulated depreciation and amortization	<u>(1,905,099)</u>	<u>(1,805,967)</u>
	<u>\$ 3,073,952</u>	<u>\$ 3,024,638</u>

Depreciation and amortization expenses for the years ended December 31, 2021 and 2020 related to the above property and equipment were \$108,766 and \$110,285, respectively.

Additionally, Hope holds land classified as property held for sale with asking price of \$15,000 at December 31, 2021 and 2020.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – LINE OF CREDIT**

For both years ended December 31, 2021 and 2020, Hope had an unused line of credit amounting to up to \$300,000 on a revolving basis with interest at the prime rate plus 1% subject to a 4.75% floor. The line of credit was secured by all assets of Hope. At December 31, 2021, Hope elected not to renew the line of credit agreement with the financial institute. In addition, Hope entered into an irrevocable letter of credit with the bank for approximately \$52,000.

**NOTE 9 – OPERATING LEASES**

Hope had an operating lease for use of a copy machine with monthly payments of \$127. The lease expired in April 2020. Hope's lease expense for the years ended December 31, 2021 and 2020 was \$-0- and \$508, respectively.

**NOTE 10 – EMPLOYEE BENEFIT PLAN**

Hope has established a Savings Incentive Match Plan for employees (the "Plan"). Eligible employees are those that have earned at least \$5,000 of wages in the current year and in either of the two preceding years. Eligible employees can contribute up to \$10,000 of deferred wages in each year. Hope must make matching contributions equal to the amount of the employee's elective deferrals up to 3% of their compensation, but not less than 1% for any year. During the years ended December 31, 2021 and 2020, Hope contributed matching contributions to the plan in the amount of \$22,309 and \$22,755, respectively. Hope pays all administrative fees associated with the plan.

**NOTE 11 – ENDOWMENTS**

Hope's endowment consists of various funds and investment securities established for various purposes. Its net assets are unrestricted assets and donor-restricted assets. As required by GAAP, net assets are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowments include the following:

**Dan and Bev Heffernan Dental Endowment fund ("Dental Endowment")**

This is a donor-restricted endowment fund which is restricted to employ a full-time dentist in Hope's dental clinic. If Hope no longer provides dental care to the community, the Board of Directors of Hope shall have the right to redirect all the capital in the fund at that time to whatever purpose the Board deems appropriate within the mission of Hope. Net assets in the fund become unrestricted as they are distributed for their intended purpose. Assets are held in trust by a bank and invested as described in Note 3.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – ENDOWMENTS** (Continued)

**Hope Clinic Endowment Fund (“Permanent Endowment”)**

Hope has established an endowment fund at an area community foundation to provide support for its charitable purposes. Under GAAP, this endowment fund is treated in two parts.

The portion of the fund contributed by unrelated third-party donors and the earnings thereon is owned and directed by the community foundation. The Foundation’s trustees determine the timing and amount of any distributions. The Foundation’s trustees are also granted variance power, that is, the unilateral power to redirect the distribution of the funds to another beneficiary under certain conditions. Accordingly, Hope has not recorded an asset in the financial statements to reflect its interest in this portion of the fund. The market value of this portion of the fund was \$50,984 and \$43,074 at December 31, 2021 and 2020, respectively.

The portion of the fund which is contributed to the community foundation directly by Hope is presented as a reciprocal transfer and is recorded as an asset by Hope. The principal is classified as a donor-restricted endowment fund where earnings are also classified as donor restricted until distributed to Hope by the community foundation, at which time they become unrestricted.

**AML Endowment Fund (“Quasi Endowment”)**

This is a donor-restricted quasi endowment fund which is restricted to provide support for Hope’s charitable purposes. After December 1, 2031, the fund becomes unrestricted. Net assets in the fund become unrestricted as they are distributed for their intended purpose.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 11 – ENDOWMENTS (Continued)**

Changes in endowment net asset for the years ended December 31 are summarized as follows:

	<u>Year ended December 31, 2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net endowment assets beginning of year	\$ -	3,156,198	\$ 3,156,198
Investment return:			
Investment income, net	-	41,690	41,690
Net realized gain	-	144,909	144,909
Unrealized gain	-	366,717	366,717
Total investment return	-	553,316	553,316
Contributions	-	80,000	80,000
Distribution from endowment pursuant to distribution policy and beneficial interest	-	(2,680)	(2,680)
Net endowment assets end of year	<u>\$ -</u>	<u>\$ 3,786,834</u>	<u>\$ 3,786,834</u>
	<u>Year ended December 31, 2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net endowment assets beginning of year	\$ -	2,830,737	\$ 2,830,737
Investment return:			
Investment income, net	-	39,649	39,649
Net realized gain	-	23,765	23,765
Unrealized gain	-	395,682	395,682
Total investment return	-	459,096	459,096
Contributions	-	40,000	40,000
Distribution from endowment pursuant to distribution policy and beneficial interest	-	(173,635)	(173,635)
Net endowment assets end of year	<u>\$ -</u>	<u>\$ 3,156,198</u>	<u>\$ 3,156,198</u>



**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 11 – ENDOWMENTS** (Continued)

**Interpretation of Relevant Law**

The Board of Directors of Hope has interpreted the State of Michigan Prudent Management of Institutional Funds Act (“SMPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds except when there are explicit donor stipulations to the contrary. In accordance with this determination, Hope has classified as net assets with donor restrictions the original value of gifts donated to the permanent endowment. When applicable, Hope will also classify as net assets with donor restrictions (a) the original value of subsequent gifts to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SMPMIFA, Hope considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The terms of the endowment agreement, which document the wishes of the contributor
- The purposes of Hope and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Hope
- The investment policies of Hope

**Return Objective and Risk Parameters**

Hope has adopted a long-term total return (growth plus income) investment approach structured to modestly grow fund principal in real dollars and provide for distributions. Endowment assets are invested in a manner intended, over time, to cover inflation plus a distribution rate of 5% per year. Actual returns in a given year may vary. Hope targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints. Hope has preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management.

**How the Investment Objectives Relate to the Spending Policy**

The terms of the Dental Endowment agreement provide for annual distributions in the amount of \$60,000 or 5% of prior year ending principal balance, whichever is greater. Excess return over 5% is reinvested provided it exceeds \$60,000.

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 11 – ENDOWMENTS (Continued)**

Annual amounts available for distribution from the permanent endowment are set forth in the community foundation's then current spending policy and are subject to the authority of the community foundation's Board of Trustees. No amounts were appropriated for expenditures from the permanent endowment during the years ended December 31, 2021 and 2020.

The terms of the AML Endowment agreement provide for annual distributions in the amount of up to 10% of the year end principal balance or \$100,000, whichever is greater, beginning in 2019. This restriction is in effect for 10 years at which time any remaining funds become unrestricted and at the discretion of Hope management.

**NOTE 12 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	<u>2021</u>	<u>2020</u>
Non-cash financing activities:		
Donated securities	<u>\$ 68,950</u>	<u>\$ 28,678</u>

**HOPE MEDICAL CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 13 – NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restrictions are restricted for the following purposes or periods:

	December	
	2021	2020
Subject to expenditure for specified purpose:		
Ypsilanti medical	\$ 151,848	\$ 66,875
Wayne medical	59,118	68,750
Dental	84,500	100,500
Basic needs	-	6,292
Hope-for-Tomorrow campaign	2,537,834	940,000
Promises to give, the proceeds from which have been restricted by donors for:		
Dental program	25,000	50,000
	<u>2,858,300</u>	<u>1,232,417</u>
Subject to passage of time:		
Promises to give, that are not restricted by donors, but which are unavailable for expenditure until due	50,000	100,000
Endowments:		
Subject to appropriation and expenditure when a specified events occurs:		
Restricted by donors for:		
Available for general use	720,253	353,451
Hope-for-Tomorrow campaign	1,023,671	1,023,671
Dental program	1,981,410	1,717,576
	<u>3,725,334</u>	<u>3,094,698</u>
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Beneficial interest in asset held by community foundation	61,500	61,500
Total endowments	<u>3,786,834</u>	<u>3,156,198</u>
	<u>\$ 6,695,134</u>	<u>\$ 4,488,615</u>