

FOCUS: HOPE AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 and 2019

FOCUS: HOPE AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Focus: HOPE
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Focus: HOPE and Subsidiaries (Focus: HOPE), a nonprofit organization, which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Focus: HOPE and subsidiaries as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 January 29, 2021 on our consideration of Focus: HOPE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Focus: HOPE's internal control over financial reporting and compliance.

Alan C. Young, Assoc.

Detroit, Michigan
January 29, 2021

FOCUS: HOPE AND SUBSIDIARIES

Consolidated Statements of Financial Position September 30, 2020 and 2019

ASSETS	2020	2019
Current Assets		
Cash & Cash Equivalent (Note 3)	\$ 3,111,816	\$ 1,522,192
Investments (Note 4)	1,625,616	779,493
Accounts Receivable, Net (Note 6)	1,700,267	1,585,645
Pledges Receivable, Net (Note 6)	32,650	257,650
Note Receivable, Current Portion (Note 6)	66,666	66,667
Prepaid Expenses	19,050	19,050
Other Current Assets (Escrow)	61,594	31,810
Total Current Assets	6,617,659	4,262,507
Long-Term Pledge Receivables, Net (Note 6)	47,065	45,069
Note Receivable, Less Current Portion (Note 6)	5,556	66,666
Property and Equipment, Net (Note 7)	6,206,158	6,388,065
Total Assets	\$ 12,876,438	\$ 10,762,307
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 1,285,464	\$ 1,519,196
Accrued Liabilities	1,128,192	885,156
Grantee Advance (Note 5)	369,905	365,334
Deferred Revenue (Note 10)	704,224	792,988
Current Portion of Other Liability (Note 18)	25,502	34,003
Current Portion of Long-Term Debt (Note 11)	1,003,125	305,754
Total Current Liabilities	4,516,412	3,902,431
Other Liability, Less Current Portion (Note 18)	-	25,502
Long-Term Debt, Less Current Portion (Note 11)	2,811,962	2,407,442
Total Liabilities	7,328,374	6,335,375
Net Assets		
Net Assets Without Donor Restrictions	3,719,461	1,891,825
Net Assets With Donor Restrictions (Note 8)	1,828,603	2,535,107
Total Net Assets	5,548,064	4,426,932
Total Liabilities and Net Assets	\$ 12,876,438	\$ 10,762,307

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

FOCUS: HOPE AND SUBSIDIARIES

Consolidated Statements of Activities Years Ended September 30, 2020 and 2019

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Public Support and Revenues						
Federal Funds	\$ 8,500,794	\$ -	\$ 8,500,794	\$ 8,001,488	\$ -	\$ 8,001,488
USDA Commodities (Note 17)	12,480,758	-	12,480,758	11,364,367	-	11,364,367
State and Local Funds	1,354,616	-	1,354,616	965,855	-	965,855
Foundation, Trust and Corporate Contributions	2,364,458	154,948	2,519,406	2,424,642	107,182	2,531,824
Other Contributions	2,017,526	-	2,017,526	1,016,465	-	1,016,465
Loan Forgiveness - PNC Bank (Note 12)	-	-	-	500,000	-	500,000
Gain on Disposal of Assets	2,321,135	-	2,321,135	1,114,991	-	1,114,991
Other Contributed Goods and Services (Note 9)	16,015	-	16,015	29,385	-	29,385
Tuition Revenue	282,007	-	282,007	701,166	-	701,166
Focus Hope Companies Revenue	755,105	-	755,105	2,678,332	-	2,678,332
Other Revenue	992,715	-	992,715	1,359,365	-	1,359,365
Net Assets Released from Restrictions (Note 8)	861,452	(861,452)	-	2,253,587	(2,253,587)	-
Total Public Support and Revenues	31,946,581	(706,504)	31,240,077	32,409,643	(2,146,405)	30,263,238
Expenses						
Personnel						
Lease Employees	745,318	-	745,318	2,585,587	-	2,585,587
Program (Food, Education, Other)	6,918,052	-	6,918,052	6,057,965	-	6,057,965
General	2,727,507	-	2,727,507	3,404,866	-	3,404,866
Equipment and Supplies	1,331,598	-	1,331,598	1,186,536	-	1,186,536
USDA and Other Commodities Expense	12,480,758	-	12,480,758	11,364,367	-	11,364,367
Other Contributed Goods and Services	16,015	-	16,015	29,385	-	29,385
Services	2,809,463	-	2,809,463	3,116,252	-	3,116,252
Facilities	1,297,821	-	1,297,821	1,372,900	-	1,372,900
Other Operating Expenses	504,003	-	504,003	554,322	-	554,322
Depreciation	808,308	-	808,308	1,164,827	-	1,164,827
Interest and other charges	186,323	-	186,323	316,766	-	316,766
Total Expenses	29,825,166	-	29,825,166	31,153,773	-	31,153,773
Change in Net Assets	2,121,415	(706,504)	1,414,911	1,255,870	(2,146,405)	(890,535)
Equity Transfer (Note 15)	(330,965)	-	(330,965)	-	-	-
Net Change in Net Assets	1,790,450	(706,504)	1,083,946	1,255,870	(2,146,405)	(890,535)
Net Assets - Beginning of Year (Note 15)	1,929,011	2,535,107	4,464,118	635,955	4,681,512	5,317,467
Net Assets - End of Year	\$ 3,719,461	\$ 1,828,603	\$ 5,548,064	\$ 1,891,825	\$ 2,535,107	\$ 4,426,932

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

FOCUS: HOPE AND SUBSIDIARIES

Consolidated Statements of Cash Flows Years Ended September 30, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in Net Assets	\$ 1,083,946	\$ (890,535)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	808,308	1,164,827
Equity Transfer	330,965	-
Net Gain on Disposal of Fixed Assets	(2,321,135)	(1,114,991)
Loan Forgiveness - PNC Bank	-	(500,000)
Unrealized Loss on Investments	26,294	64,211
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(114,622)	(42,666)
Other Current Assets (Escrow)	(29,784)	1,652
Pledge Receivables	223,004	573,454
Accounts Payable	(233,732)	(742,982)
Accrued Liabilities	243,036	47,095
Deferred Revenue	(88,764)	323,348
Grantee Advance	4,571	121,844
Other Liabilities	(34,003)	59,505
Prepaid Expenses	-	(906)
Net Cash Used In Operating Activities	(101,916)	(936,144)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Fixed Assets	2,599,361	1,114,991
Change in Investments	(872,417)	172,005
Purchase of Property, Plant and Equipment	(1,198,406)	(1,305,233)
Net Cash Provided by (Used in) Investing Activities	528,538	(18,237)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long Term Loan	-	250,000
Proceeds (Payments and Maturities) of Debt	1,101,891	(694,933)
Payments on Line of Credit	-	(57,500)
Issuance of Notes Receivable	-	(200,000)
Proceeds from Notes Receivable	61,111	66,667
Net Cash Provided by (Used in) Financing Activities	1,163,002	(635,766)
Net Increase (Decrease) in Cash and Cash Equivalents	1,589,624	(1,590,147)
Cash and Cash Equivalents at Beginning of Year	1,522,192	3,112,339
Cash and Cash Equivalents at End of Year	\$ 3,111,816	\$ 1,522,192
Supplemental Disclosure		
Interest Paid	\$ 186,323	\$ 316,605

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

FOCUS: HOPE AND SUBSIDIARIES

Consolidated Statements of Functional Expenses Year Ended September 30, 2020 and 2019

Expenditures	Program Services	Management & General	Fundraising	Total 2020
Personnel Expenses	\$ 7,663,367	\$ 2,290,937	\$ 436,573	\$ 10,390,877
Equipment and Supplies	1,073,154	252,499	5,945	1,331,598
USDA and Other Commodities Expense	12,480,758	-	-	12,480,758
Other Contributed Goods and Services	-	-	16,015	16,015
Services	2,132,256	491,156	186,051	2,809,463
Facilities	767,182	527,270	3,369	1,297,821
Other Operating Expenses	217,649	286,354	-	504,003
Depreciation	197,054	611,254	-	808,308
Interest and Other Charges	-	186,323	-	186,323
Total	24,531,420	4,645,793	647,953	29,825,166
Reclassify Overhead Charged to Program Costs*	1,156,674	(1,156,674)	-	-
Total	\$ 25,688,094	\$ 3,489,119	\$ 647,953	\$ 29,825,166

Expenditures	Program Services	Management & General	Fundraising	Total 2019
Personnel Expenses	\$ 9,402,903	\$ 2,347,653	\$ 297,862	\$ 12,048,418
Equipment and Supplies	907,871	253,411	25,254	1,186,536
USDA and Other Commodities Expense	11,364,367	-	-	11,364,367
Other Contributed Goods and Services	-	376	29,009	29,385
Services	2,303,059	633,216	179,977	3,116,252
Facilities	779,017	590,094	3,789	1,372,900
Other Operating Expenses	315,408	232,794	6,120	554,322
Depreciation	188,829	975,998	-	1,164,827
Interest and Other Charges	-	316,766	-	316,766
Total	25,261,454	5,350,308	542,011	31,153,773
Reclassify Overhead Charged to Program Costs*	1,156,674	(1,156,674)	-	-
Total	\$ 26,418,128	\$ 4,193,634	\$ 542,011	\$ 31,153,773

* Overhead expenses include allocation of all occupancy and shared service cost to various programs based on the allocation policy of the Organization.

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

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements
September 30, 2020 and 2019

1) ORGANIZATION

The consolidated financial statements included are those of Focus: HOPE (the Organization), its wholly owned subsidiaries (Focus: HOPE Companies, Inc., Focus: HOPE Foundation, Generation of Promise, Focus: HOPE Innovations, Student Loan Fund, and the Housing and Transportation Assistance Trust). All significant intercompany accounts and transactions have been eliminated in consolidation.

Focus: HOPE is a non-profit civil and human rights organization. Founded in 1968, its mission is to promote intelligent and practical action to overcome racism, poverty and injustice in metropolitan Detroit. The organization focuses on four main areas: a food program for seniors, workforce development and education programs, and an early learning/youth development program all looked at through an advocacy, equity and community empowerment (AECE) lens.

Food Program

The Focus: HOPE Food Program is one of the nation's largest Commodity Supplemental Food Programs for low-income senior citizens. Each month, it distributes food to approximately 41,000 senior citizens through its three distribution centers and one central warehouse. The program assists residents of Wayne, Oakland, Macomb, and Washtenaw counties and is administered through the U.S. Department of Agriculture.

Education and Training Programs

Since 1981, Workforce Development Education Job Training Focus: HOPE has graduated 14,500 students to date from our career programs. Our education and workforce development programs prepare individuals for success with a holistic approach to individuals looking to jump start their careers. Our program offerings are as follows:

Employer Driven Training

Earn & Learn/Truck Driving: This 8-week training program includes 4 weeks of readiness training at Focus: HOPE and 4 weeks of CDL (Commercial Driver's License) Class A training at an accredited and state licensed truck driving school. Students must have a valid driver's license and no violent felonies within the last 10 years to apply. Students must be Detroit, Highland Park or Hamtramck residents.

CDL Work Readiness: This 8-week training program includes 4 weeks of readiness training at Focus: HOPE and 4 weeks of CDL Class A training at an accredited and state licensed truck driving school. Students must have a valid driver's license and no violent felonies within the last 10 years to apply effective February 2019.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

1) ORGANIZATION (Continued)

Advanced Technical Training

Pre-Apprenticeship PLUS Culinary - 5 week, 120 hour boot camp program provides work readiness related to culinary fields including but not limited to cooking and presentation of food, kitchen etiquette, weighing, measuring and mixing ingredients and arranging, garnishing and serving food leading to occupation specific training and job placement. Participants in this program will also have the opportunity to participate in advanced training and apprenticeships.

Pre-Apprenticeship: PA Plus 11-week pre-apprenticeship program provides manufacturing technicians with the knowledge and competencies needed in the advanced manufacturing environment. Partnership between Focus: HOPE and Macomb Community College to hire and train industrial manufacturing production technicians. The program provides OJT (On the Job Training) at no cost to the apprentices, credentials through Macomb Community College, journeyman worker status and full-time employment with an industry partner. Industrial Design Technician Program is a 11-week pre-apprenticeship program designed to teach students to create 3D industrial design concepts for phones, computers, cars and more using SolidWorks Software.

Information Technologies Pathways:

Designed to provide training and deliver foundational curriculum for entry-level to middle-skilled information technology positions. This 15-week training pathway offers training related to information technology fundamentals, small office home office networking, and server technology basics.

IT Fundamentals: 4-week, 120-hour course designed to deliver the technical skills required for fundamental knowledge/configuration of devices, IT infrastructure, applications and software, software development, database fundamentals, security and troubleshooting. Additional topics covered include installing software, establishing network connectivity and identifying/preventing security risks. Credentials to Earn: CompTIA ITF+ (computing technology industry association information technology fundamentals+); placement focus: information technology positions; starting wages: \$13-15; career preparation for help desk technicians, computer user support specialists

Small Office Home Office: 6-week, 150-hour course designed to deliver the technical skills necessary to implement, plan, deploy and support networking systems (routers, switches, etc.) and the conceptual aspects of network environments. Beginning with an introduction to basic networking concepts, this course will take students through the more advanced issues involved in the implementation, support, and troubleshooting of multiple network operating systems and networking protocols. Credentials to Earn: CompTIA Network+ (computing technology industry association network); placement focus: information technology positions starting wages of \$16-\$17; career preparation for network technicians.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

1) ORGANIZATION (Continued)

Server Tech Basics: 5-week, 150-hour course designed to deliver the technical skills necessary to configure or support Windows computers, devices, users, and associated network and security resources on enterprise server-based and cloud-based environments. This path dives into the skills needed to deploy Windows, manage devices and data; configure connectivity; and maintain Windows operating systems as part of a Microsoft 365 setting. Credentials to Earn: Microsoft 365 Certified: Modern Desktop Administrator Associate. Placement Focus: Information Technology Positions; starting wages: \$18+; career preparation for windows desktop administrators.

Industrial Manufacturing Training Pathways:

Designed to provide training and deliver foundational curriculum for middle-skilled to multi middle-skilled manufacturing positions. This 15-week, 300 hours course offers training related to manufacturing readiness hi-lo, CNC (computer numerical control) operations, industrial robotics and welding.

Manufacturing Readiness/Hi-Lo: 2-week (40 hrs.) industrial manufacturing readiness program to deliver foundational curriculum for entry-level manufacturing positions. Topics include industrial safety, hi-lo operations and OSHA (occupational safety and health administration) training.

CNC Operations: 7-week (140 hrs.) Industrial manufacturing training program to deliver foundational curriculum for middle-skilled manufacturing positions. Topics covered include intro to CNC machining lathes/mills, shop math, and blueprint reading. Credentials to Earn: FH Certificate of Completion, NIMS-CNC Operations Mills Level 1, NIMS-CNC Operations Lathe Level 1, NIMS material measurement & safety. placement focus: manufacturing employment, apprenticeship opportunities, CNC operator, quality inspection, machine operator. average wages: \$14.50+ per hour

Industrial Robotics and Welding: 6-weeks (120 hours) Robotics course covers task to prepare an operator, or technician to set-up program and troubleshoot industrial robot operations. Course comprises FANUC company e-learn curriculum and hands-on training. Learners may earn FANUC handling tools operations and programming certification. introduction to welding, this course covers flux-core arc welding, emphasizing welding fundamentals, safe practice, weld inspection and equipment. Training consists of hand-on training and simulation, lectures and labs preparing learners for entry level welding position starting at \$13.50

Early Learning

Focus: HOPE's Early Learning Programs operating at the Center for Children and New Paradigm Glazer Academy, offers quality childcare in an education environment for infants and children up to age five. Focus: HOPE offers Early Head Start/ Head Start (Birth to Five) along with the Great Start Readiness Program and other early childhood preschool education programs. The programs serve the children in the community who meet Head Start or Great Start Readiness Program requirements. Additionally, through a community-based doula program, it provides non-medical peer support for low-income pregnant mothers.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

1) ORGANIZATION (Continued)

Youth Development - Freedom Schools

Focus: HOPE in collaboration with the Children's Defense Fund (CDF) launched the CDF freedom schools program in 2016. The goal of this program is to promote the development of strong, literate and empowered young people in Detroit's HOPE Village. The full-day summer program lasts six weeks, features a multicultural reading curriculum and is free to all families.

Advocacy, Equity & Community Empowerment (AECE)

Each of Focus: HOPE's core program areas are tied together by a range of empowerment initiatives designed to develop community leadership and promote economic prosperity of program participants as Focus: HOPE engages in advocacy toward equitable systems change. These initiatives consist economic empowerment offerings, youth leadership as activism and of a mix of anti-racism discussions and activities engaging colleagues along with the public.

Center for Working Families (CWF)

Through a United Way and LISC (Local Initiatives Support Corporation) partnership, Focus: HOPE operates as a Center for Working Families model, leveraging income supports and financial coaching against its workforce training and placement programs to support economic mobility for every family served.

Generation of Promise

Generation of Promise is a youth leadership program having formerly operated as an independent 501(c)(3) organization beginning in 1990. It annually engages a cross-cultural mix of 60 high school juniors across metro Detroit in equity and anti-racism training in order to support the future's social justice leaders.

Other Programs

Special events such as Eleanor's March For Hope in October and Holiday Music Festival in December bring thousands of people together to affirm their commitment to civil and human rights.

Focus: HOPE Companies, Inc.

Focus: HOPE Companies, Inc. (FHC) is a Michigan for-profit corporation providing employee leasing services to Android.

Focus: HOPE Foundation

Established in 1998 as a Michigan non-profit corporation, the Focus: HOPE Foundation raises and administers funds from private donors exclusively for the purpose of overcoming racism, poverty, and injustice by supporting and carrying out the charitable, educational, and scientific purposes of Focus: HOPE.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

1) ORGANIZATION (Continued)

Housing and Transportation Assistance Trust

The Housing and Transportation Assistance Trust (HTAT or the Trust) was formed by Focus: HOPE (selected by the Court as Trustor), in accordance with a 1983 consent judgment that settled a 1972 race discrimination lawsuit against a third party.

The Trust was formed to provide prospective relief to current and future African American employees of the defendant in the lawsuit by assisting these eligible beneficiaries in traveling to and residing near the defendant's facilities outside the city limits of Detroit and Hamtramck. The Trust provides assistance through subsidies on home mortgages/purchases and automobile loans/leases.

During the fiscal year 2019, the life of the Trust was extended to the earlier of December 31, 2023, or the date that the Trustees determine is the last date that the Trust will have sufficient liquid assets to fund anticipated beneficiary applications. Any remaining assets will be donated to a non-profit organization as discussed in the Trust Agreement.

The Organization's management and general services are as follows:

Management and General – This includes the functions to maintain an adequate working environment, provide proper administrative support of the Organization's programs, and manage the financial, budgeting, human resources, strategic planning, general legal and promotional efforts to raise public awareness about the Organization.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Financial Statements

The consolidated financial statements have been prepared in accordance with the accounting principles set forth in the AICPA Audit and Accounting Guide for Not-for-Profit Organizations. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principles and Reporting Entity

The Organization follows the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements for Not-For-Profit Organizations under which the Organization is required to report information regarding the financial position and activities according to the following net asset classification:

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 the Organization. These net assets may be used at the discretion of the Organization's 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalent

Cash includes cash on hand, and money market accounts at two financial institutions in 2020 and 2019.

Revenue Recognition

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends, or the 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.

Unconditional promises to give are reported as without donor restriction support and are recognized at the estimated net present value of the future cash flows, net of allowances. An effective interest rate of 4.25% is used to discount the promises to give. When payment of an unconditional promise to give is received it is reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, and equipment are reported as without donor restriction 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. In absence of explicit donor stipulations about how those long-lived assets must be maintained, Focus: HOPE reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Food Program receives in-kind services that are donated during the year. The Food Program services include volunteer clerical support, delivery of food to program participants and the transportation of program participants to and from the food distribution centers using private vehicles. Center for Children Early Head Start program receives in-kind services including parent participation in the classroom, community involvement for child care services, and enrollment efforts for the program. Focus: HOPE has estimated the value of delivery and other volunteer services provided to be \$1,046,269 and \$1,144,855 in 2020 and 2019, respectively.

Allowance for Uncollectible Accounts

Tuition revenue and provisions for uncollectible accounts are recognized ratably over each of the academic terms in a fiscal year. Provisions for losses on student accounts and loans receivable are determined on the basis of loss experience and assessment of prospective risk and are included in the cost of program services in the consolidated financial statements. Pledges are reviewed annually for their collectability and past collection history. In the fiscal year 2020 and 2019, no bad debts were recorded.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of September 30. This is primarily composed of revenue for the billboard lease and certain grant revenue.

Concentrations of Risk and Significant Sources of Revenue

Contributions from individuals, foundations, corporations, businesses, research and development, and Federal grants currently account for the significant sources of public support and revenue.

Property and Equipment

Property and equipment are defined by Focus: HOPE as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Property and equipment are stated at cost, if purchased or at estimated fair market value at the date received, if donated. Cost of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Depreciation and amortization are provided by the straight-line method over the estimated useful lives of the respective assets.

Accrued Compensated Absences

The amount of leave earned but not taken by full-time regular employees is recorded as a liability on the balance sheet. The amount reflects, as of September 30, all unused vacation balances.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in Money market funds, ETFs and mutual funds with readily determinable market values are recorded at fair value. Unrealized and realized gains and losses on these investments are reported in the consolidated statement of revenues and expenses. Securities are generally held in custodial investment accounts administered by certain financial institutions. See Note 4 for further details.

New Accounting Pronouncement

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The guidance was effective for the Organization during the fiscal year ending September 30, 2020 and was adopted by the management.

During the year ended September 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added. (Note 19)

Upcoming New Accounting Pronouncement

The FASB issued ASU 2016-02, Leases (Topic 842), in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statements of activities and the statements of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is applicable to the Organization for fiscal year 2021-2022. Early adoption is permitted. The Organization's management has not determined the impact on the Organization's financial statements because of implementing ASU 2016-02.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming New Accounting Pronouncement (Continued)

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The effective date for ASU 2014-09 has been deferred by one year, and is now applicable to the Organization for the fiscal year 2020-2021 (beginning October 1, 2020).

The Organization's management has not determined the impact on the Organization's financial statements because of implementing ASU 2014-09.

Reclassification

Certain prior year numbers have been reclassified to conform to the current year presentation.

3) CASH AND CASH EQUIVALENTS

The deposits of the Organization in bank accounts (excluding outstanding checks and deposits in transit) total \$3,161,180 and \$1,591,394 of which \$ 435,482 and \$500,000 is insured through federal depository insurance for fiscal year 2020 and 2019 respectively. The total uninsured deposits were \$2,725,698 and \$1,091,394 in fiscal years 2020 and 2019, respectively.

4) INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organization's investments are reported 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. The management determines the Organization's valuation policies utilizing information provided by the investment advisers.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes gains and losses on investments bought and sold as well as held during the year.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

4) INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (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.

The asset's 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.

The Organization maintains certain investment vehicles in funds that do not have readily determinable fair values. The Organization, as a practical expedient, estimates the fair value using net asset value per share or its equivalent. Accordingly, these investments are not reported in the fair value hierarchy. Under this approach, certain attributes of the investment, such as redemption frequency, redemption notice period and unfunded investments are considered in measuring the fair value of an investment.

Investments

Investments consist primarily of money market funds, mutual funds, and exchange traded funds.

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

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

4) INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Money Market Funds: The fair value of the Organization's Investments in Money Market Funds is based on cost prices of the shares held by the Organization at the year end.

Mutual Funds: Mutual funds are valued using Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of the shares outstanding.

Exchange Traded Funds: These funds own underlying assets and dividend ownership of those assets into shares. They are stated on fair value based on a quoted market price.

The following table summarizes Focus: HOPE's investments based on inputs used to determine their values at September 30, 2020 and 2019, respectively.

	2020			
	Fair Value Measurements			
	Investments (at Fair Value)	(Level 1)	(Level 2)	(Level 3)
Money Market Fund	\$ 29,740	\$ 29,740	\$ -	\$ -
Exchange Traded Fund	469,109	469,109	-	-
	498,849	<u>\$ 498,849</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds (a)	1,126,767			
	<u>\$ 1,625,616</u>			
	2019			
	Fair Value Measurements			
	Investments (at Fair Value)	(Level 1)	(Level 2)	(Level 3)
Money Market Fund	\$ 108,734	\$ 108,734	\$ -	\$ -
Exchange Traded Fund	238,841	238,841	-	-
	347,575	<u>\$ 347,575</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual Funds (a)	431,918			
	<u>\$ 779,493</u>			

(a) Certain investments measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy but are presented to permit reconciliation to the investment line item to statement.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

4) INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments measured using NAV per share practical expedient

The following table summarized investments for which fair value is measured using NAV per share practical expedient as of September 30, 2020 and 2019, respectively.

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Mutual Funds	\$ 1,126,767	None	Daily	None

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Mutual Funds	\$ 431,918	None	Daily	None

5) GRANTEE ADVANCE

During the year ended September 30, 2020 and 2019, the Organization received \$369,905 and \$365,334, respectively from Starfish Family Services as advance funding for the Detroit Early Head Start and Detroit Birth to Five grants based on their approved budget and enrollment adjustments. This advance is provided for the operational requirements of the grant and is to be adjusted at the end of the grant year in 2021 and 2020 respectively. As per the requirements of the grantee, this amount is shown separately in the accompanying Consolidated Statement of Financial Position.

6) ACCOUNTS RECEIVABLE

Accounts Receivable consisted of the following at September 30:

	2020	2019
Trade Receivable	\$ 86,052	\$ 193,465
Tuition Receivable	816,372	816,372
Grants Receivable	1,589,051	1,413,274
	<u>2,491,475</u>	<u>2,423,111</u>
Allowance for Doubtful Accounts	(791,208)	(837,466)
Total	<u>\$ 1,700,267</u>	<u>\$ 1,585,645</u>

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

6) ACCOUNTS RECEIVABLE (Continued)

Pledges Receivable at September 30 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Due Within One Year	\$ 32,650	\$ 257,650
Due in One to Five Years	50,000	50,000
	<u>82,650</u>	<u>307,650</u>
Discount	(2,935)	(4,931)
Net Pledges Receivable	<u><u>\$ 79,715</u></u>	<u><u>\$ 302,719</u></u>

During the fiscal year 2019, Focus Hope provided non-interest bearing and non-collateralized financing to Advantage Health Centers (AHC) for \$200,000 relating to the sale of a building located at 1355 Oakman, Detroit. The amount will be repaid by AHC in 36 monthly installments of \$5,555.56 each. The total balance for the note receivable as of September 30, 2020 and 2019 is \$72,222 and \$133,333.

7) PROPERTY AND EQUIPMENT

Property and equipment comprised of the following for the fiscal year ended September 30, 2020.

	<u>Balance September 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Equity Transfer and Adjustments</u>	<u>Balance September 30, 2020</u>
Capital Assets not being Depreciated:					
Land and Improvements	\$ 1,742,764	\$ 98,880	\$ (177,890)	\$ (18,600)	\$ 1,645,154
Construction in Progress	352,874	229,275	-	(352,874)	229,275
Total Assets not being Depreciated	<u>2,095,638</u>	<u>328,155</u>	<u>(177,890)</u>	<u>(371,474)</u>	<u>1,874,429</u>
Capital Assets being Depreciated:					
Building and Improvements	51,801,542	561,885	(10,702,255)	(355,908)	41,305,264
Furniture, Fixtures and Equipment	8,262,576	210,638	-	336,145	8,809,359
Transportation Equipment	839,660	97,728	-	-	937,388
Total Assets being Depreciated	<u>60,903,778</u>	<u>870,251</u>	<u>(10,702,255)</u>	<u>(19,763)</u>	<u>51,052,011</u>
Accumulated Depreciation:					
Building and Improvements	48,981,868	337,923	(10,600,784)	(94,681)	38,624,326
Furniture, Fixtures and Equipment	6,996,452	372,024	-	(3,912)	7,364,564
Transportation Equipment	633,031	98,361	-	-	731,392
Accumulated Depreciation and Amortization	<u>56,611,351</u>	<u>808,308</u>	<u>(10,600,784)</u>	<u>(98,593)</u>	<u>46,720,282</u>
Net Assets Being Depreciated	<u>4,292,427</u>	<u>61,943</u>	<u>(101,471)</u>	<u>78,830</u>	<u>4,331,729</u>
Total Net Fixed Assets	<u><u>\$ 6,388,065</u></u>	<u><u>\$ 390,098</u></u>	<u><u>\$ (279,361)</u></u>	<u><u>\$ (292,644)</u></u>	<u><u>\$ 6,206,158</u></u>

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

7) PROPERTY AND EQUIPMENT (Continued)

Property and equipment comprised of the following for the fiscal year ended September 30, 2019.

	Balance September 30, 2018	Additions	Disposals	Adjustments	Balance September 30, 2019
Capital Assets not being Depreciated:					
Land and Improvements	\$ 1,690,305	\$ 52,459	\$ -	\$ -	\$ 1,742,764
Construction in Progress	915,987	352,874	-	(915,987)	352,874
Total Assets not being Depreciated	<u>2,606,292</u>	<u>405,333</u>	<u>-</u>	<u>(915,987)</u>	<u>2,095,638</u>
Capital Assets being Depreciated:					
Building and Improvements	52,877,543	523,999	(1,600,000)	-	51,801,542
Furniture, Fixtures and Equipment	7,210,922	135,667	-	915,987	8,262,576
Transportation Equipment	599,426	240,234	-	-	839,660
Total Assets being Depreciated	<u>60,687,891</u>	<u>899,900</u>	<u>(1,600,000)</u>	<u>915,987</u>	<u>60,903,778</u>
Accumulated Depreciation:					
Building and Improvements	50,237,594	344,274	(1,600,000)	-	48,981,868
Furniture, Fixtures and Equipment	6,228,888	767,564	-	-	6,996,452
Transportation Equipment	580,042	52,989	-	-	633,031
Accumulated Depreciation and Amortization	<u>57,046,524</u>	<u>1,164,827</u>	<u>(1,600,000)</u>	<u>-</u>	<u>56,611,351</u>
Net Assets Being Depreciated	<u>3,641,367</u>	<u>(264,927)</u>	<u>-</u>	<u>915,987</u>	<u>4,292,427</u>
Total Net Fixed Assets	<u>\$ 6,247,659</u>	<u>\$ 140,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,388,065</u>

Focus: HOPE made additions to property and equipment in the amount of \$1,198,406 and \$1,305,233 for the years ended September 30, 2020 and 2019, respectively. Assets with acquisition cost of \$10,880,145 and \$1,600,000 and accumulated depreciation of \$10,600,784 and \$1,600,000 was disposed of during the fiscal year 2020 and 2019, respectively. The net gain on disposal of these assets of \$2,321,135 and \$1,114,991 was recorded for fiscal year 2020 and 2019, respectively. The total depreciation for the years ended September 30, 2020 and 2019 was \$808,308 and \$1,164,827, respectively. During the fiscal year 2020 and 2019, total assets purchased but not put to use were \$229,275 and \$352,874 respectively. These assets were not depreciated during these years. During the fiscal year 2020, adjustment to assets were made in the amount of \$292,644 related to the equity transfer. A footnote on equity transfer has been added. (Note 15).

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Pledges & Restricted for Program Activities	\$ 79,715	\$ 302,719
HTAT	1,593,940	2,232,388
United Way	130,948	-
Community Foundation for Southeast Michigan	24,000	-
Total	<u>\$ 1,828,603</u>	<u>\$ 2,535,107</u>

Net Assets released from restrictions by incurring expenses satisfying the purpose specified by the donors for the years ended September 30, 2020 and 2019, respectively were as follow:

	<u>2020</u>	<u>2019</u>
Pledges & Restricted for Program Activities	\$ 223,004	\$ 1,589,171
HTAT	638,448	664,416
Total	<u>\$ 861,452</u>	<u>\$ 2,253,587</u>

9) CONTRIBUTED SERVICE INCOME

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Focus: HOPE received consulting and management services as contributed service income in the amount of \$6,500 and \$376 during the fiscal year 2020 and 2019, respectively. For the fiscal year 2020 and 2019, the Organization also received other in-kind commodities in the amount of \$9,515 and \$29,009.

10) DEFERRED REVENUE

Focus: HOPE entered into a "billboard lease" agreement (for its property located at 15531 Idaho, Detroit, MI) with Landmark Infrastructure Holding Company, LLC, for a lease period of 50 years for an initial lump sum payment of \$450,000 during the year 2013-14. The lease agreement is set to expire on Nov 4, 2063. The entire amount was received in fiscal year 2014, leading to a deferred revenue balance of \$387,000 and \$396,000 for the years ended September 30, 2020 and 2019, respectively.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued) September 30, 2020 and 2019

10) DEFERRED REVENUE (Continued)

The following table summarizes the deferred revenue by different sources for the year ended September 30.

	<u>2020</u>	<u>2019</u>
Billboard Lease	\$ 387,000	\$ 396,000
SOM Appropriation	316,224	299,776
Wilson Foundation	-	58,692
GM Foundation	-	33,663
Ford Motor Company	-	3,857
11LBOA	1,000	1,000
Total	<u>\$ 704,224</u>	<u>\$ 792,988</u>

11) FINANCING ARRANGEMENTS

The Organization's long-term debt consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Term Note - IFF	\$ 1,897,935	\$ 2,524,763
PPP Loan	1,917,152	-
Bollinger Holding LLC Note	-	188,433
	<u>3,815,087</u>	<u>2,713,196</u>
Less: Current Portion	<u>(1,003,125)</u>	<u>(305,754)</u>
Total Long-Term Portion	<u>\$ 2,811,962</u>	<u>\$ 2,407,442</u>

In the fiscal year 2015 Focus: HOPE entered into a new loan agreement with IFF, an Illinois nonprofit company for a total amount of \$3,500,000. The loan is collateralized with certain real estate properties owned by the Organization. This loan has a three-part arrangement.

The first part of the loan with a balance of \$1,897,935 as of September 30, 2020 has a fixed interest rate of 6.25% with principal and interest due and payable on October 1, 2015 and every month thereafter, in equal consecutive installments of \$13,872 over a 300-month period, with a maturity date of September 1, 2040.

The second and third part of the loan are fully paid off as on September 30, 2020.

During the fiscal year 2019, the organization entered into a new loan with Bollinger Holding LLC, a New York limited liability company for the total amount of \$250,000 with an interest rate calculated at 4% with an expiration date of June 30, 2020. Any outstanding balance including accrued interest is due payable in full on the expiration date. The loan is collateralized with certain real estate properties and all fixtures owned by the Organization. The loan is fully paid off as of September 30, 2020. The balance of the loan as of September 30, 2019 was \$188,433.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

11) FINANCING ARRANGEMENTS (Continued)

The Organization received \$1,917,152 in Paycheck Protection Program (PPP) funding on April 05, 2020 from a lender, JP Moran Chase Bank, N.A. under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the businesses' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over 2 years at an interest rate of 0.98%, with a deferral of payments for 6 months after the end of the covered period. The Organization believes they used the PPP loan proceeds for purposes consistent with the PPP guidelines and will apply for forgiveness. The Organization has initially recorded the loan as a liability and will record the forgiveness at the time the loan has been formally forgiven in writing.

Focus: HOPE Principal maturities of debt are as follows:

Year Ended September 30,	Amount
2021	\$ 1,003,125
2022	1,015,683
2023	55,783
2024	59,371
2025	63,190
2026 -2040	<u>1,617,935</u>
Total	<u>\$ 3,815,087</u>

12) LINE OF CREDIT

As per the requirement of the term loan with IFF, Focus: HOPE entered into a Committed Line of Credit Note with PNC bank for \$1,000,000 with an interest rate calculated at 2% over the LIBOR rate with an expiration date of November 1, 2018. During the fiscal year 2019, PNC waived \$500,000 and the Organization repaid \$57,500, the remaining outstanding balance. During the fiscal year 2020, the Organization did not have any line of credit.

13) INCOME TAXES

Focus: HOPE and Focus: HOPE Foundation are exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and are classified as public charities under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). As such, contributions to Focus: HOPE and Focus: HOPE Foundation qualify as charitable deductions under IRC Section 170.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

13) INCOME TAXES (Continued)

Focus: HOPE Companies, Inc. file their federal income tax return on Form 1120. As of September 30, 2020, FHC had \$5,056,094 of net operating losses available to offset future taxable income. The Company did not have any tax liability during the year ended September 30, 2019.

The Accounting Standard on accounting for uncertainty in Income Taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management determined that the effects, if any, of this standard did not have a material impact on the consolidated financial statements.

14) PENSION PLAN

In August 2002, the Board approved a defined contribution pension plan. Under the provisions of the plan, employees may defer a portion of their compensation until retirement. Deductions are made from employee compensation during each pay period. In addition, Focus: HOPE has the option to provide a 50% match for each employee deferral up to 1.5% of compensation. Focus: HOPE also has the option to provide a match of 1% for all employees with no match required. Contributions are deposited in participant directed investment accounts. Focus: HOPE did not provide any match in fiscal years 2020 or 2019.

15) RELATED PARTY TRANSACTIONS

The Housing and Transportation Assistance Trust (the Trust) purchased administrative services from Focus: HOPE amounting to approximately \$100,000 in each fiscal year for 2020 and 2019.

In prior years, the Trust has loaned Focus: HOPE funds for operations. The loan was fully repaid as of September 30, 2020. The total balance outstanding, including unpaid interest, as of September 30, 2019 was \$1,520,558. The total interest charged by the Trust towards the outstanding loan, was \$48,812 and \$154,256 in 2020 and 2019, respectively.

As a related party, the corresponding receivable on Focus: HOPE's accounts and the liability on the HTAT's accounts are offset during the preparation of consolidated financial statements.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

15) RELATED PARTY TRANSACTIONS (Continued)

HOPE Village Revitalization, formerly known as Focus: HOPE Revitalization, was established on December 19, 2002 as a Michigan non-profit Corporation by Focus: HOPE. Focus: HOPE was the sole member of HOPE Village Revitalization until October 4, 2019 and it operated as a subsidiary of Focus: HOPE. Effective October 4, 2019, Focus: HOPE Revitalization finalized the transition from a wholly owned subsidiary of Focus: HOPE into an independent community-based corporation and changed its name to HOPE Village Revitalization.

During 2020, the Organization transferred fixed assets and inter-company payables in the amount of \$330,965 to Hope Village Revitalization. In addition, the Organization transferred the accumulated loss in the amount of \$37,186 to HOPE Village Revitalization which has been adjusted in the net assets at the beginning of the year.

Net assets without donor restrictions at year ended	
September 30, 2019	\$ 1,891,825
Accumulated loss of HOPE Village Revitalization	<u>37,186</u>
	<u>\$ 1,929,011</u>

The net effect of equity transition on the Organization was for \$293,779.

	2020
Transfer of Assets and Liabilities	\$ 330,965
Accumulated loss of HOPE Village Revitalization	<u>(37,186)</u>
	<u>\$ 293,779</u>

16) CONTINGENCIES

The expenditures for each program are subject to audit by the granting agency. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although Focus: HOPE expects such amounts, if any, to be immaterial.

17) USDA COMMODITIES

Federal commodities represent the value of commodities received from the USDA for distribution in Focus: HOPE's food distribution program. The estimated value of USDA CSFP commodities received and distributed during the fiscal years ended September 30, 2020 and 2019 was \$12,480,758 and \$11,364,367, respectively.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

18) OTHER LIABILITY

During the fiscal year 2019, Focus Hope entered into a payment plan with Detroit Water and Sewerage Department (DWSD) for settlement of outstanding debts. As per the plan, Focus: HOPE is required to make monthly payments to DWSD for \$2,834 each until the outstanding amount is fully paid. The total outstanding amount as on September 30, 2020 and 2019 is \$25,502 and \$59,505, respectively.

19) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have variations during the year attributable to the timing of grant and contribution receipts. It is the Organization's objective to maintain liquid financial assets without any restrictions sufficient to cover program expenditures for reasonable amount of time. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2020</u>	<u>2019</u>
Current Assets, (excluding Prepaid Expenses) at Year End	\$ 6,598,609	\$ 4,243,457
Less:		
Assets with Donor Restrictions	<u>(1,828,603)</u>	<u>(2,535,107)</u>
Financial Assets available within one year to meet cash needs for general expenditure within one year	<u>\$ 4,770,006</u>	<u>\$ 1,708,350</u>

20) FUNCTIONAL EXPENSES

The Organization's expenses have been allocated between program and management and general expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require an allocation are allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the expenditure.

21) COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. In March 2020, the World Health Organization officially declared this coronavirus outbreak (also referred to as COVID-19) a pandemic. The spread of this virus began to cause some business disruption in Organization's business. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, the management is carefully monitoring the situation and evaluating its options during this time and expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time. No adjustments have been made to these financial statements because of this uncertainty.

The Organization received additional grant funds and contributions due to the pandemic.

FOCUS: HOPE AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)
September 30, 2020 and 2019

22) SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 29, 2021, the date that the accompanying consolidated financial statements were available to be issued.