

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.**

dba PROJECT HOPE FOR THE HOMELESS

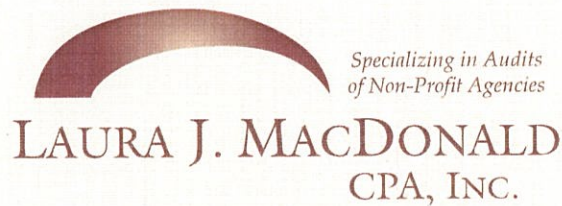
FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

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**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
FINANCIAL STATEMENTS
December 31, 2021 and 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ecumenical Shelter Network
of Lake County, Inc.
dba Project Hope for the Homeless
Painesville, Ohio

Opinion

I have audited the accompanying financial statements of Ecumenical Shelter Network of Lake County, Inc. (dba Project Hope for the Homeless) (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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ecumenical Shelter Network of Lake County, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Ecumenical Shelter Network of Lake County, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 the Ecumenical Shelter Network of Lake County, Inc.'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

My 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 my 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, including omissions, 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 Trustees
Ecumenical Shelter Network of Lake County, Inc.
Painesville, Ohio

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ecumenical Shelter Network of Lake County, Inc.'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ecumenical Shelter Network of Lake County, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated November 29, 2022, on my consideration of the Ecumenical Shelter Network of Lake County, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ecumenical Shelter Network of Lake County, Inc.'s internal control over financial reporting and compliance.



Medina, Ohio
November 29, 2022

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020**

| ASSETS | 2021 | 2020 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 748,399 | \$ 573,172 |
| Grants and reimbursement contracts receivable | - | 52,047 |
| Contributions receivable | 9,705 | 17,878 |
| Unconditional promises to give | 34,000 | 32,000 |
| Prepaid expenses | 4,504 | 3,772 |
| TOTAL CURRENT ASSETS | 796,608 | 678,869 |
| PROPERTY AND EQUIPMENT | 847,450 | 855,777 |
| OTHER ASSETS | | |
| Board restricted endowment | 213,421 | 141,398 |
| Deposits | 349 | 349 |
| | 213,770 | 141,747 |
| TOTAL ASSETS | \$ 1,857,828 | \$ 1,676,393 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 19,306 | \$ 6,576 |
| Accrued wages, benefits and related taxes and withholdings | 33,348 | 24,408 |
| Refundable advances | 33,139 | 20,250 |
| Other current liabilities | 250 | 250 |
| Paycheck Protection Program loan | - | 70,100 |
| Current portion of long-term debt | 17,826 | 17,149 |
| TOTAL CURRENT LIABILITIES | 103,869 | 138,733 |
| OTHER LIABILITIES | | |
| Long-term debt, less current portion | - | 17,732 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Unrestricted | 1,506,189 | 1,346,181 |
| Unrestricted - Board designated | 213,770 | 141,747 |
| With donor restrictions | 34,000 | 32,000 |
| TOTAL NET ASSETS | 1,753,959 | 1,519,928 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,857,828 | \$ 1,676,393 |

Please refer to accompanying notes.

ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|--|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
| SUPPORT AND REVENUE | | | | | | |
| Contributions: | | | | | | |
| Individuals and estates | \$ 447,682 | \$ - | \$ 447,682 | \$ 398,506 | \$ - | \$ 398,506 |
| Churches | 73,859 | - | 73,859 | 64,927 | - | 64,927 |
| Other institutions | 8,432 | - | 8,432 | 36,694 | - | 36,694 |
| Corporate grant and foundation revenues | 188,395 | - | 188,395 | 384,125 | - | 384,125 |
| Federal program revenue | - | 174,001 | 174,001 | - | 130,533 | 130,533 |
| State program revenue | - | 281,955 | 281,955 | - | 115,090 | 115,090 |
| United Way revenue | - | 69,105 | 69,105 | - | 76,267 | 76,267 |
| Special events, net of \$4,989 and \$6,225 in expenses in 2021 and 2020, respectively | 78,804 | - | 78,804 | 8,815 | - | 8,815 |
| Workers Compensation dividend income | - | - | - | 48,843 | - | 48,843 |
| Investment income (loss) | 23,078 | - | 23,078 | 18,741 | - | 18,741 |
| Other income | - | - | - | 343 | - | 343 |
| In-kind contributions | 138,968 | - | 138,968 | 155,558 | - | 155,558 |
| | 820,250 | 525,061 | 1,484,279 | 960,994 | 321,890 | 1,438,442 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | |
| Satisfaction of Federal Program restrictions | 174,001 | (174,001) | - | 130,533 | (130,533) | - |
| Satisfaction of State Program restrictions | 281,955 | (281,955) | - | 115,090 | (115,090) | - |
| Satisfaction of United Way restrictions | 67,105 | (67,105) | - | 80,017 | (80,017) | - |
| Release of restricted donations for designated purpose | - | - | - | - | - | - |
| | 523,061 | (523,061) | - | 325,640 | (325,640) | - |
| TOTAL SUPPORT AND REVENUE | 1,343,311 | 2,000 | 1,484,279 | 1,286,634 | (3,750) | 1,438,442 |
| EXPENSES | | | | | | |
| Program expenses | 1,056,207 | - | 1,056,207 | 996,225 | - | 996,225 |
| Management and general expenses | 194,041 | - | 194,041 | 189,318 | - | 189,318 |
| TOTAL EXPENSES | 1,250,248 | - | 1,250,248 | 1,185,543 | - | 1,185,543 |
| INCREASE (DECREASE) IN NET ASSETS | 93,063 | 2,000 | 234,031 | 101,091 | (3,750) | 252,899 |
| NET ASSETS AT BEGINNING OF PERIOD | 1,332,370 | 32,000 | 1,519,928 | 1,231,279 | 35,750 | 1,267,029 |
| NET ASSETS AT END OF PERIOD | \$ 1,425,433 | \$ 34,000 | \$ 1,753,959 | \$ 1,332,370 | \$ 32,000 | \$ 1,519,928 |

Please refer to accompanying notes.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021**

| | PROGRAM SERVICES | MANAGE- MENT AND GENERAL EXPENSES | TOTALS |
|--|-----------------------------|--|---------------------|
| EXPENSES: | | | |
| Salaries and wages | \$ 566,659 | \$ 130,956 | \$ 697,615 |
| Payroll taxes | 58,671 | 12,606 | 71,277 |
| Employee benefits | 48,741 | 9,560 | 58,301 |
| Occupancy | 57,746 | 3,039 | 60,785 |
| Office expense | 49,179 | 21,348 | 70,527 |
| Professional fees | 35,065 | 12,195 | 47,260 |
| Insurance | 20,052 | 2,082 | 22,134 |
| Client assistance and program supplies | 21,345 | - | 21,345 |
| Interest | 1,379 | 73 | 1,452 |
| Depreciation | 41,459 | 2,182 | 43,641 |
| Other | 16,943 | - | 16,943 |
| In-kind expenses | 138,968 | - | 138,968 |
| | <u>\$ 1,056,207</u> | <u>\$ 194,041</u> | <u>\$ 1,250,248</u> |

Please refer to accompanying notes.

ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

| | PROGRAM SERVICES | MANAGE- MENT AND GENERAL EXPENSES | TOTALS |
|--|---------------------|---|---------------------|
| EXPENSES: | | | |
| Salaries and wages | \$ 530,928 | \$ 136,434 | \$ 667,362 |
| Payroll taxes | 48,660 | 12,501 | 61,161 |
| Employee benefits | 36,987 | 9,502 | 46,489 |
| Occupancy | 54,093 | 2,847 | 56,940 |
| Office expense | 43,895 | 13,113 | 57,008 |
| Professional fees | - | 10,217 | 10,217 |
| Insurance | 13,473 | 2,472 | 15,945 |
| Client assistance and program supplies | 65,411 | - | 65,411 |
| Interest | 2,216 | 117 | 2,333 |
| Depreciation | 40,192 | 2,115 | 42,307 |
| Other | 4,812 | - | 4,812 |
| In-kind expenses | 155,558 | - | 155,558 |
| | <u>\$ 996,225</u> | <u>\$ 189,318</u> | <u>\$ 1,185,543</u> |

Please refer to accompanying notes.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020**

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 234,031 | \$ 252,899 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation of property and equipment | 43,641 | 42,307 |
| Unrealized (gains) losses on investments | (22,987) | (18,629) |
| Paycheck Protection Program loan forgiveness | (70,100) | - |
| (Increase) decrease in assets: | | |
| Grants and reimbursement contracts receivable | 52,047 | (30,755) |
| Contributions receivable | 8,173 | 52,128 |
| Unconditional promises to give | (2,000) | 3,750 |
| Prepaid expenses | (732) | 3,093 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 12,730 | (1,185) |
| Accrued wages, benefits and related taxes and withholdings | 8,940 | 4,002 |
| Refundable advances | 12,889 | 12,311 |
| Other current liabilities | - | (275) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>276,632</u> | <u>319,646</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Deposits to Board restricted endowment fund, net of fees | (49,036) | (13,501) |
| Property additions | (35,314) | - |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(84,350)</u> | <u>(13,501)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | (17,055) | (16,174) |
| Borrowings under Paycheck Protection Program Loan | - | 70,100 |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>(17,055)</u> | <u>53,926</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | <u>175,227</u> | <u>360,071</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>573,172</u> | <u>213,101</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 748,399</u></u> | <u><u>\$ 573,172</u></u> |

Please refer to accompanying notes.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ecumenical Shelter Network of Lake County, Inc. (dba Project Hope for the Homeless) (Project Hope) (the Organization) was incorporated in 1993 for the purpose of responding to the human hurts and hopes of persons in Lake County who are homeless, by providing emergency shelter, care and guidance in the name and for the sake of Jesus Christ. The Organization's most significant sources of revenue include Federal, State and local grant and foundation revenue, contributions and United Way funding.

Accounting Basis

The Organization maintains its financial statements on the accrual basis of accounting, in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities* and the provisions of Accounting Standards Update (ASU) 2016-14. ASU 2016-14 requires the Organization to report information regarding its financial position and activities in two categories of net assets as described below:

Net Assets Without Donor Restrictions

Net Assets Without Donor Restrictions are either not subject to donor-imposed stipulations or are subject to such restrictions but those restrictions have been met in the same fiscal period that the revenue is recorded.

Net Assets With Donor Restrictions

Net Assets With Donor Restrictions are subject to donor-imposed stipulations that may or will be met either by actions of Project Hope and/or the passage of time. Net Assets With Donor Restrictions totaled \$34,000 and \$32,000 as of December 31, 2021 and 2020, respectively, and consists of United Way funding promised as of December 31, 2021 and 2020.

Adoption of ASC 606 "Revenue from Contracts with Customers"

The Organization has adopted ASC 606 effective for its fiscal year beginning January 1, 2020, using the full retrospective approach. This standard requires an entity to recognize revenue when control of the related goods or services is transferred to the customer or patient. Revenues are recognized in an amount equal to the expected compensation to be received. Because Project Hope has no long-term performance contracts, and the vast majority of its contributions and grant revenues are not classified as exchange transactions, the adoption of this accounting standard did not materially impact the 2021 or 2020 financial position, results of operations or cash flows of the Organization and no cumulative effect of a change in accounting principle has been recorded relating to this adoption.

Property and Equipment

Property and equipment is stated at cost if purchased, or at fair market value at the date of the donation, if contributed. Acquisitions of \$1,500 or more are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Gains and losses on asset retirement or disposition are reflected in the Statements of Activities. Depreciation is computed using the straight-line method over the following estimated useful lives:

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

Property and Equipment (Continued)

| | |
|------------------------------------|-------------|
| Land improvements | 15 years |
| Building and building improvements | 40 years |
| Furniture and equipment | 3 - 7 years |
| Vehicles | 7 years |

Investments

Investments in debt and equity securities with readily determinable fair values, are reported at fair value in accordance with FASB ASC 958-320. Realized and unrealized gains and losses associated with such securities are recorded in the Statements of Activities.

Fair Value of Financial Instruments

Project Hope for the Homeless provides disclosures of its financial instruments in accordance with the requirements of FASB ASC 820, *Fair Value Measurements and Disclosures*, which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Accounts/Grants and Reimbursement Contracts Receivable/Refundable Advances

The funds due from various funding sources under grants and reimbursement contracts are recognized as revenue in the accounting period when expenditures are incurred and the grant funds are earned. "Grants and reimbursement contracts receivable" represents expended grant award funds due to the Organization. "Refundable Advances" represents unexpended grant award funds received.

The Organization considers all accounts/grants and reimbursement contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If accounts/grants or reimbursement contracts receivable become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in donor restricted net assets. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on management's analysis of specific promises to give. Management has determined that no allowance is necessary as of December 31, 2021 and 2020. All contributions receivable have been collected within 2 months of the related year end.

In-kind Contributions

The Organization recognizes in-kind contributions of space, supplies and services in accordance with the guidelines outlined in FASB ASC 958-605. In-kind contributions of services are recognized as revenue in the financial statements if the services received (a) create or enhance non-financial assets (primarily property or other tangible or intangible 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. Contributed services that do not meet this criteria, and promises to give such services, are not recognized. In-kind contributions of meals and volunteer services totaled \$138,968 and \$155,558 for the years ended December 31, 2021 and 2020, respectively.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

Restricted Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as "Donor Restricted" support and revenue and as an increase in the related net asset classification. When donor-stipulated time or purpose restrictions expire, the related support is reflected as being "Released from Restriction" in the accompanying Statements of Activities and as "Net Assets Without Donor Restrictions" in the accompanying Statements of Financial Position.

Compensated Absences

Certain employees of the Organization are entitled to paid vacation, sick and personal days off, depending on their job classifications. None of these benefits vest and vacation leave is expensed as incurred.

Statements of Cash Flows

The Statements of Cash Flows are presented in accordance with FASB ASC 230. The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2021 and 2020, cash equivalents consisted of a money market account. Cash paid for interest totaled \$1,452 and \$2,333 for the years ended December 31, 2021 and 2020, respectively. There were no cash payments for income taxes.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Actual results could differ from those estimates.

Income Taxes

The Organization is a private non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. None of the Organization's present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization has adopted the provisions of FASB ASC 740-10-25 which requires the disclosure of uncertain tax positions. There have been no interest or penalties recognized in the accompanying Statements of Financial Position or in the Statements of Activities relating to uncertain tax positions. Additionally, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease during the next 12 months. The Organization evaluates uncertain tax positions, if any, on a continual basis. The Organization's Federal income tax returns are generally subject to examination by the IRS for three years after they are filed.

Disclosure of Subsequent Events

The Organization is required to disclose the date through which subsequent events have been evaluated, in accordance with the requirements of FASB ASC Paragraph 855. The Organization has evaluated all events that occurred from January 1, 2022 through the date the accompanying financial statements were available to be issued (November 29, 2022) for proper accounting and disclosure in the accompanying financial statements.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

Functional Allocation of Expenses

The costs of providing emergency shelter and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated between program expenses and management and general expenses using various allocation methods that attempt to allocate the costs equitably in relation to the benefits provided. These allocation methods are based on square footage or full-time equivalents, as applicable.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of assets carrying value to its future undiscounted net cash flows. Impaired assets are recognized at the lower of fair value or carrying amount. No impaired assets were identified during the years ended December 31, 2021 and 2020.

Credit Risk

Financial instruments, which could potentially subject Project Hope to concentration of credit risk include cash and cash equivalents, grants, contracts and contributions receivable and investments. These financial instruments are all carried at their approximate fair value. The Organization's policy is to limit credit exposure on financial instruments and place its cash and cash equivalents with financial institutions that are credit worthy. Receivables are all considered fully collectible and are recorded based on a review of subsequent cash received. Investments, in general, are exposed to various risks, such as interest rate risk, credit risk and overall volatility.

Reclassifications

Certain balances in the December 31, 2020 financial statements have been reclassified to conform with the 2021 presentation.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give totaled \$34,000 and \$32,000 as of December 31, 2021 and 2020, and represent United Way funds pledged for the subsequent fiscal year.

NOTE 3 – GRANTS AND REIMBURSEMENT CONTRACTS RECEIVABLE

Grants and reimbursement contracts receivable consist of the following as of December 31, 2020:

| <u>Description</u> | |
|-----------------------------------|-----------------|
| Community Development Block Funds | \$32,047 |
| FEMA Funds | <u>20,000</u> |
| | <u>\$52,047</u> |

There were no grants/reimbursement contracts receivable as of December 31, 2021.

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2021 and 2020:

| <u>Description</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|-------------------|-------------------|
| Land and land improvements | \$ 116,989 | \$ 116,989 |
| Building and improvements | 1,113,910 | 1,113,910 |
| Furniture and equipment | 154,453 | 150,618 |
| Vehicles | 31,479 | - |
| | <u>1,416,831</u> | <u>1,381,517</u> |
| Less: Accumulated depreciation | <u>569,381</u> | <u>525,740</u> |
| Property and equipment, net | <u>\$ 847,450</u> | <u>\$ 855,777</u> |

NOTE 5 - FAIR VALUE MEASUREMENTS

Project Hope for the Homeless values its financial instruments at fair value. In accordance with FASB ASC 820, fair value is defined as the price that the Organization would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. FASB ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Organization's investments. The inputs are summarized in the three levels, required by FASB ASC 820, and listed below:

Level 1 – Inputs represent unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets.

Level 3 – Unobservable inputs supported by little or no market activity significant to the fair value measurements.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Project Hope for the Homeless' investments are reported at fair value in the accompanying Statements of Financial Position. Investments as of December 31, 2021 and 2020 consist of pooled funds held by the Cleveland Foundation and are classified as Level 2 investments. These investments are valued using the market approach.

NOTE 6 – BOARD RESTRICTED ENDOWMENT

The Board restricted endowment consists of investments held by the Cleveland Foundation. Original cost, fair value, unrealized appreciation and investment income at December 31, 2021 and 2020, and for the years then ended, is summarized below:

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 6 – BOARD RESTRICTED ENDOWMENT (Continued)

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Appreciation (Depreciation)</u> | <u>Interest/Dividend Income</u> |
|---|------------------|-------------------|---|---------------------------------|
| <u>December 31, 2021</u> | | | | |
| Pooled investments held by the Cleveland Foundation | <u>\$190,434</u> | <u>\$213,421</u> | <u>\$ 22,987</u> | <u>\$ -</u> |
| <u>December 31, 2020</u> | | | | |
| Pooled investments held by the Cleveland Foundation | <u>\$114,747</u> | <u>\$141,398</u> | <u>\$ 26,651</u> | <u>\$ -</u> |

Investment fees totaled \$964 and \$499 during the years ended December 31, 2021 and 2020, respectively, and have been netted against investment income in the accompanying Statements of Activities.

NOTE 7 – REFUNDABLE ADVANCES

Refundable advances totaled \$33,139 and \$20,250 as of December 31, 2021 and 2020 and represents unspent grant funding received for services to be provided in the subsequent fiscal year.

NOTE 8 – LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|---------------|-----------------|
| Commercial mortgage note payable to bank in monthly installments of \$1,542, including interest at a fixed rate of 5.25%, through December, 2022, secured by land and building. | \$17,826 | \$34,881 |
| Less current portion | <u>17,826</u> | <u>17,149</u> |
| Long – term portion | <u>\$ -</u> | <u>\$17,732</u> |

Future maturities of long-term debt are as follows:

| <u>Year Ended December 31,</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2022 | \$17,826 |
| Thereafter | - |

NOTE 9 – LINE OF CREDIT

Project Hope for the Homeless has a \$50,000 line of credit. There were no borrowings on this line of credit during the year ended December 31, 2022.

NOTE 10 – DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following periods or purposes as of December 31, 2021 and 2020:

| <u>Description</u> | <u>2021</u> | <u>2020</u> |
|-----------------------|-----------------|-----------------|
| United Way Allocation | <u>\$34,000</u> | <u>\$32,000</u> |

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

NOTE 11 – UPMIFA AND RESTRICTED ENDOWMENT FUNDS

The State of Ohio adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), effective in June, 2009. This act requires the prudent expenditure of endowment funds. Additionally, the Financial Accounting Standards Board (FASB) has issued guidance on the net asset classification of endowment funds and also requires enhanced disclosures for all endowment funds as detailed in FASB ASC 958-205. These disclosures are presented below.

Net Asset Classifications

As of December 31, 2021 all investments held in Project Hope’s Board Restricted Endowment account have been reflected as Board-designated net assets in the accompanying Statements of Financial Position.

Board Designated Endowment Spending and Investment Policy

Project Hope’s Board of Directors has authorized Project Hope to spend interest and dividend income earned from internally restricted endowment funds. Any unspent income is added to the remaining restricted principal balance of the endowment accounts. Any other withdrawals from endowment accounts require approval by Project Hope’s Board of Directors.

Changes in the Board Restricted Endowment fund during the years ended December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Endowment Account – Beginning of Period | \$141,398 | \$109,268 |
| Contributions | 50,000 | 14,000 |
| Distributions | - | - |
| Interest and dividends | - | - |
| Realized and unrealized gains and losses, net | 22,987 | 18,629 |
| Fees | <u>(964)</u> | <u>(499)</u> |
| Endowment Account – End of Period | <u>\$213,421</u> | <u>\$141,398</u> |

NOTE 12 – RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, contributions from members of the Organization’s Board of Directors totaled \$95,360 and \$48,713, respectively.

NOTE 13 – NON-CANCELLABLE OPERATING LEASE AGREEMENT

The Organization leases office equipment under an operating lease agreement that expires in July, 2024. Future minimum payments under this lease agreement are as follows:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------|
| 2022 | 15,420 |
| 2023 | 15,420 |
| 2024 | 8,995 |
| Thereafter | - |

**ECUMENICAL SHELTER NETWORK
OF LAKE COUNTY, INC.
dba PROJECT HOPE FOR THE HOMELESS
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2021**

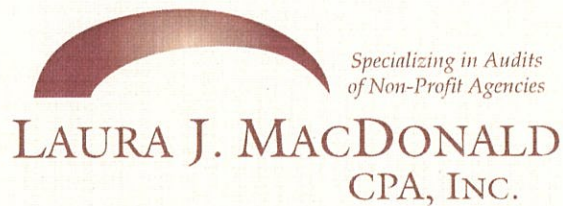
NOTE 13 – NON-CANCELLABLE OPERATING LEASE AGREEMENT (Continued)

Rent expense during the year ended December 31, 2021 and 2020 totaled \$18,600 and \$17,913, respectively.

NOTE 14 – LIQUIDITY

Project Hope's primary source of 2021 revenues includes unrestricted contributions, grants and foundation revenues (accounting for 51% of revenues, excluding in-kind). Because the Organization's unrestricted revenue stream is substantial and because the Organization's unrestricted cash balance is exceeds \$748,000 as of December 31, 2021, the Organization's management anticipates it will have no difficulty maintaining sufficient resources to meet any restrictions imposed by its donors during the upcoming year.

As of December 31, 2021, Project Hope had \$1,005,525 in unrestricted cash, investments and receivables available to meet obligations for general expenditures.



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

To the Board of Directors
Ecumenical Shelter Network
of Lake County, Inc.
dba Project Hope for the Homeless
Painesville, Ohio

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ecumenical Shelter Network of Lake County, Inc. (dba Project Hope for the Homeless) (a non-profit organization) which comprise the Statement of Financial Position as of December 31, 2021, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended and the related Notes to the Financial Statements, and I have issued my report thereon dated November 29, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Ecumenical Shelter Network of Lake County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ecumenical Shelter Network of Lake County, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Ecumenical Shelter Network of Lake County, Inc.'s internal control.

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

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

Board of Directors
Ecumenical Shelter Network
of Lake County, Inc.
Painesville, Ohio

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to be 'J. M. [unclear]', written over the text of the purpose of the report.

Medina, Ohio
November 29, 2022