



STREAMS OF HOPE

FINANCIAL STATEMENTS

With Independent Auditors' Report

December 31, 2022 and 2021

STREAMS OF HOPE

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STREAMS
Healthy Neighborhood Hub

STREAMS OF HOPE

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12



INDEPENDENT AUDITORS' REPORT

**Board of Directors
Streams of Hope
Grand Rapids, MI**

OPINION

We have audited the financial statements of Streams of Hope, comprising the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Streams of Hope as of December 31, 2022 and 2021 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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Streams of Hope and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 7 to the financial statements, Streams of Hope adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

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 Streams of Hope's ability to continue as a going concern for one year after the date that the financial statements are issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

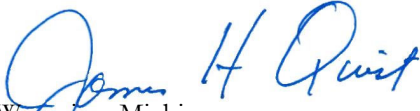
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INDEPENDENT AUDITORS' REPORT, continued

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Streams of Hope' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Streams of Hope' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.



Wyoming, Michigan
November 29, 2023

STREAMS OF HOPE

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Cash	\$ 192,703	\$ 1,208,405
Contributions receivable	189,762	719,221
	382,465	1,927,626
Property and Equipment		
Land	45,000	45,000
Building	3,033,682	454,353
Furniture and fixtures	18,501	1,496
Vehicles	24,430	13,125
Construction-in-progress	-	51,726
Accumulated depreciation	(169,544)	(154,267)
	2,952,069	411,433
Total Assets	3,334,534	2,339,059
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 34,365	\$ 14,275
Accrued payroll and related liabilities	35,897	35,250
Note payable	382,000	-
Deferred revenue	421,957	-
Total Liabilities	874,219	49,525
Net Assets		
Without donor restrictions		
Undesignated	(187,254)	185,818
Net investment in property and equipment	2,570,069	411,433
	2,382,815	597,251
With donor restrictions	77,500	1,692,283
Total Net Assets	2,460,315	2,289,534
Total Liabilities and Net Assets	\$ 3,334,534	\$ 2,339,059

See accompanying notes and independent auditors' report

STREAMS OF HOPE

Statements of Activities

	Years Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 255,033	\$ 548,584	\$ 803,617	\$ 352,077	\$ 1,715,732	\$ 2,067,809
In-kind contributions	871,093	-	871,093	624,826	-	624,826
Gain on sale of property and equipment	11,527	-	11,527	-	-	-
Other revenue	31,941	-	31,941	18,098	-	18,098
Total Support and Revenue	1,169,594	548,584	1,718,178	995,001	1,715,732	2,710,733
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	2,163,367	(2,163,367)	-	165,475	(165,475)	-
EXPENSES						
Program	1,220,745	-	1,220,745	949,306	-	949,306
Management and general	165,773	-	165,773	85,656	-	85,656
Fund-raising	160,879	-	160,879	167,994	-	167,994
Total Expenses	1,547,397	-	1,547,397	1,202,956	-	1,202,956
Change in Net Assets	1,785,564	(1,614,783)	170,781	(42,480)	1,550,257	1,507,777
Net Assets, Beginning of Year	597,251	1,692,283	2,289,534	639,731	142,026	781,757
Net Assets, End of Year	\$ 2,382,815	\$ 77,500	\$ 2,460,315	\$ 597,251	\$ 1,692,283	\$ 2,289,534

See accompanying notes and independent auditors' report

STREAMS OF HOPE

Statements of Functional Expenses

Years ended December 31,

	2022				2021			
	Program	Management and General	Fund-Raising	Total	Program	Management and General	Fund-Raising	Total
Salaries and wages	\$ 162,964	\$ 51,311	\$ 86,130	\$ 300,405	\$ 148,833	\$ 46,862	\$ 78,661	\$ 274,356
Payroll taxes	13,613	4,286	7,194	25,093	12,078	3,801	6,383	22,262
Professional services - legal	-	8,482	-	8,482	-	-	-	-
Professional services - accounting	-	23,100	-	23,100	-	6,200	-	6,200
Professional services - other	21,672	28,436	38,231	88,339	11,448	9,870	13,652	34,970
Advertising and promotion	44,818	4,539	20,117	69,474	21,327	4,430	63,477	89,234
Office	10,559	1,655	5,504	17,718	15,916	1,876	5,321	23,113
Information technology	2,845	33,645	3,703	40,193	2,557	4,781	500	7,838
Occupancy	49,667	5,518	-	55,185	39,198	4,355	-	43,553
Travel	11,282	37	-	11,319	6,909	11	-	6,920
Conferences, conventions and meetings	-	-	-	-	270	30	-	300
Interest	-	944	-	944	-	126	-	126
Depreciation	23,629	2,301	-	25,930	18,368	1,749	-	20,117
Insurance	13,671	1,519	-	15,190	14,087	1,565	-	15,652
Food and program supplies	866,025	-	-	866,025	658,315	-	-	658,315
Total Expenses	\$ 1,220,745	\$ 165,773	\$ 160,879	\$ 1,547,397	\$ 949,306	\$ 85,656	\$ 167,994	\$ 1,202,956

See accompanying notes and independent auditors' report

STREAMS OF HOPE

Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 170,781	\$ 1,507,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions for long-term purposes	353,164	(1,435,257)
Gain from sale of property and equipment	(11,527)	-
Contributions of property and equipment	(99,364)	-
Depreciation	25,930	20,117
Change in:		
Contributions receivable	529,459	(633,931)
Accounts payable	20,090	(7,170)
Accrued payroll and related liabilities	647	1,466
Deferred revenue	421,957	-
Net Cash Provided (Used) by Operating Activities	1,411,137	(546,998)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	14,000	-
Purchases of property and equipment	(2,469,675)	(51,725)
Net Cash Used By Investing Activities	(2,455,675)	(51,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	(353,164)	1,435,257
Proceeds from loan payable	382,000	-
Net Cash Provided by Financing Activities	28,836	1,435,257
Change in Cash	(1,015,702)	836,534
Cash, Beginning of Year	1,208,405	371,871
Cash, End of Year	\$ 192,703	\$ 1,208,405
SUPPLEMENTARY DATA		
Cash paid for interest	\$ 944	\$ 126

See accompanying notes and independent auditors' report

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION

Streams of Hope (SOH) exists to demonstrate God's love and foster sustainable change through services that build relationships, meet family needs and promote a healthier community. Located in the Townline area of Southern Kent County, Michigan, SOH continually seeks to plant the seeds of positive change and demonstrate God's love in tangible ways.

SOH is exempt from federal income taxes under section 501(c)(3) of the United States Internal Revenue Code (code) and comparable state laws and has been classified as a publicly supported organization that is not a private foundation under section 509(a)(1) of the code.

SOH's revenues consist primarily of charitable contributions and grants.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

CASH

Cash consists of all cash on deposit. Balances in the bank accounts may at times exceed federally insured limits. SOH has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Unconditional promises to give expected to be collected within one year are reported at net realizable value because the present value of estimated cash flows approximates net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of U.S. treasury bills corresponding to the timing of the expected collection of contributions receivable. Amortization of the discount is included in contributions revenue in the statements of activities. Management believes all contributions receivable balances are fully collectible at both December 31, 2022 and 2021; there is, therefore, no allowance for doubtful promises to give.

PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,500 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Depreciation expense was \$25,930 and \$20,117 for the years ended December 31, 2022 and 2021, respectively.

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

DEFERRED REVENUE

During the year ended December 31, 2022, SOH received \$500,000 from Catherine's Healthcare Centers. These funds were received in lieu of rental revenues for 79 months, which is presumed to be \$6,111 per month for the entire term. Deferred revenue of \$421,957 has been reported at December 31, 2022 based on the present value of \$6,111 over the remaining term of the agreement using the risk-free rate of 3.42 percent per annum. Because the total present value of waived lease payments is less than total funds received, SOH also recognized contribution revenue of \$67,037 from this transaction.

NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. The governing board has not designated any net assets without donor restrictions for specific purposes

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash and services are reported at their estimated fair value. SOH reports donations of property and equipment as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment donated with restrictions regarding their use and contributions of cash to acquire furniture and equipment are reported as contributions with donor restrictions.

GIFTS IN KIND

Donated goods and services are reflected as contributions at their estimated fair value on the date of donation. Furniture and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, at which time a reclassification is made from net assets with donor restrictions to net assets without donor restrictions. Goods donated to SOH are not monetized.

During the years ended December 31, 2022 and 2021, SOH received contributions of approximately 451,000 and 358,000 pounds of food, respectively, for which management estimates total values of \$767,314 and \$608,184, respectively. During the years ended December 31, 2022 and 2021, SOH received contributions of other items used within the ministry having an estimated value of \$4,415 and \$11,279, respectively. In-kind contributions for the year ended December 31, 2022 and 2021 include capital campaign donations of goods and services totaling \$99,364 and \$5,363, respectively, that are reported with property and equipment.

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

During the years ended December 31, 2022 and 2021, 91 and 92 individuals provided approximately 4,510 and 3,700 hours of volunteer support to SOH, which management estimates to have a total value of approximately \$67,650 and \$55,500, respectively. However, the value of these services is not reflected in the financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteers participate in sorting and stocking shelves in the food pantry, serving as personal shopping assistants, bagging and helping carry groceries to cars.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. At SOH, the methods used to allocate costs among program and support functions vary depending upon the nature of the expense category. Compensation related expenses are allocated based on proportional estimates of paid time spent in each functional area of performance. Occupancy and depreciation costs are allocated to each functional area based on proportional estimates of facility and equipment usage. Other expenses are allocated based on the guidelines defining the nature of the program, management or fund-raising expenses and the associated estimates of time and effort.

ADVERTISING COSTS

SOH expenses advertising costs as they are incurred. Total advertising costs were \$-0- and \$4,000 for the years ended December 31, 2022 and 2021, respectively.

LIQUIDITY AND AVAILABILITY

SOH has financial assets available within one year of the statements of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date.

	December 31,	
	2022	2021
Cash	\$ 192,703	\$ 1,208,405
Contributions receivable	165,762	555,891
Less: net assets with donor restrictions	(77,500)	(1,692,283)
	<u>\$ 280,965</u>	<u>\$ 72,013</u>

SOH maintains bank checking and savings accounts for liquidity management.

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

3. CONTRIBUTIONS RECEIVABLE

At December 31, 2022 and 2021, SOH had \$189,762 and \$719,221 in unconditional promises to give, respectively. Contributions receivable are reported at their estimated net realizable value, which approximates the present value of estimated future cash flows. Contributions receivable consist of a grants for operations from a corporation and capital campaign promises to give from individuals, businesses, and foundations at both December 31, 2022 and 2021. See Note 2 for a description of the accounting policy for contributions receivable.

Promises to give are expected to be received as follows:

	December 31,	
	2022	2021
Amounts due in:		
Less than one year	\$ 165,762	\$ 555,891
One year to five years	24,000	163,330
	\$ 189,762	\$ 719,221

4. DEBT

During the year ended December 31, 2022, SOH obtained a \$600,000 bank line of credit which is secured by real property and fixtures, matures in May 2025 and bears interest at the bank prime rate, which at December 31, 2022 was 7.5 percent per annum. Interest is payable monthly and the loan principle is due May 2025. \$382,000 was borrowed from the line during the year ended December 31, 2022.

5. NET ASSETS WITH DONOR RESTRICTIONS

Changes in and year-end balances of net assets with donor restrictions as of and for the years ended December 31, 2022 and 2021 are as follows:

	December 31, 2020	Contributions	Released From Restriction	December 31, 2021
Capital Campaign	\$ 79,526	\$ 1,435,257	\$ -	\$ 1,514,783
Feeding America	-	8,145	8,145	-
Food pantry	-	104,872	104,872	-
Operations (time restricted)	62,500	140,000	25,000	177,500
Simply Give	-	27,458	27,458	-
	\$ 142,026	\$ 1,715,732	\$ 165,475	\$ 1,692,283

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

5. NET ASSETS WITH DONOR RESTRICTIONS, continued

	December 31, 2021	Contributions	Released From Restriction	December 31, 2022
Capital Campaign	\$ 1,514,783	\$ 353,164	\$ 1,867,947	\$ -
Feeding America	-	9,793	9,793	-
Food pantry	-	164,517	164,517	-
Operations (time restricted)	177,500	-	100,000	77,500
Simply Give	-	21,110	21,110	-
	<u>\$ 1,692,283</u>	<u>\$ 548,584</u>	<u>\$ 2,163,367</u>	<u>\$ 77,500</u>

6. CONCENTRATION

For both years ended December 31, 2022 and 2021, the top five donors provided approximately 37 percent of total contributions.

7. LEASES

During the year ended December 31, 2022, SOH adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842), as amended*. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases.

SOH leased a mobile office unit under an operating lease agreement effective October 2020 for a 24-month term, requiring monthly payments of \$570. Total lease expense for the years ended December 31, 2022 and 2021 was \$6,840 and \$1,170, respectively. The remaining minimum lease payments under this agreement are due during the year ending December 31, 2022 and total \$5,700. Because this lease expired during the year ended December 31, 2022, SOH elected to not apply the changes prescribed by Topic 842 retrospectively to this agreement.

Beginning January 2021, SOH leased office space to another entity on a three-year basis for \$1,500 per month. The lessee could terminate the lease with a 90-day notice and SOH could cancel the lease with a 180-day notice. Total revenues received during both years ended December 31, 2022 and 2021 were \$18,000.

This agreement was superseded by an agreement effective November 2022 by a 120-month agreement. Lease payments are waived for the first 79 months of the agreement in lieu of a \$500,000 payment from the lessee (see Note 2 – Deferred Revenue), after which monthly rent payments will be \$6,111 and will increase by 2 percent each November thereafter. Either party may terminate the lease with a 180-day notice if it is determined that the lessor or lessee are no longer fulfilling their respective missions.

STREAMS OF HOPE

Notes to Financial Statements

December 31, 2022 and 2021

7. LEASES, continued

Future minimum required lease payments expected to be received over the term of this agreement are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 73,344
2024	73,344
2025	73,344
2026	73,344
2027	73,344
Later years	<u>350,444</u>
	<u>\$ 717,164</u>

SOH's investment in rental property at December 31, 2022 is as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Building	\$ 654,449	\$ 45,000
Less: accumulated depreciation	<u>(1,398)</u>	<u>(16,154)</u>
	<u>\$ 653,051</u>	<u>\$ 28,846</u>

8. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2022 and 2021, SOH paid \$18,000 and \$17,000, respectively, to an entity owned in part by an SOH board member, \$1,500 of which is included in accounts payable at both December 31, 2022 and 2021.

9. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through November 29, 2023, the date these financial statements were available to be issued.