STAR OF HOPE MISSION

FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT

DECEMBER 31, 2021 AND 2020

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Star of Hope Mission

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Star of Hope Mission (the Mission) (a Texas non-profit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mission as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, on our consideration of the Mission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mission's internal control over financial reporting and compliance.

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 27, 2022

	2021	2020
ASSETS		
Cash and cash equivalents	$ 4,171,167	$ 3,781,256
Receivables	2,383,449	1,819,058
United Way receivables	497,508	683,840
Pledges receivable, net	2,115,360	3,182,161
Short-term investment securities	10,160,405	8,461,969
Prepaid expenses and other assets	744,859	589,964
Land, buildings and equipment, net	61,068,594	63,210,674
Long-term investment securities	1,387,766	1,671,001
Beneficial interest in Trees of Hope	375,605	344,698
TOTAL ASSETS	$ 82,904,713	$ 83,744,621
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 2,133,580	$ 2,197,797
Deferred rent	70,746	88,876
Notes payable and line of credit	1,567,552	3,520,588
TOTAL LIABILITIES	3,771,878	5,807,261
NET ASSETS		
Without donor restrictions	73,564,070	73,291,551
With donor restrictions	5,568,765	4,645,809
TOTAL NET ASSETS	79,132,835	77,937,360
TOTAL LIABILITIES AND NET ASSETS	$ 82,904,713	$ 83,744,621

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	$ 19,616,418	$ 2,884,231	$ 22,500,649
Special events, net	197,625	1,239,314	1,436,939
In-kind contributions	2,000,228	-	2,000,228
Grants from government agencies	1,509,242	-	1,509,242
Client fees	49,681	-	49,681
Investment return, net	1,456,366	(118)	1,456,248
Net change in beneficial interest in Trees of Hope	22,907	-	22,907
Miscellaneous	294,489	-	294,489
Net assets released from restrictions	3,200,471	(3,200,471)	-
Total public support and revenues	28,347,427	922,956	29,270,383
Expenses:			
Program Services			
Men's Development Center	5,262,502	-	5,262,502
Women and Family Development Center	12,321,586	-	12,321,586
Extended Services	2,426,682	-	2,426,682
Total program services	20,010,770	-	20,010,770
Management and general	3,146,775	-	3,146,775
Fundraising	4,917,363	-	4,917,363
Total expenses	28,074,908	-	28,074,908
Change in net assets	272,519	922,956	1,195,475
Net Assets, beginning of year	73,291,551	4,645,809	77,937,360
Net Assets, end of year	$ 73,564,070	$ 5,568,765	$ 79,132,835

STAR OF HOPE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	$ 20,087,977	$ 5,689,564	$ 25,777,541
Special events, net	1,239,609	248,455	1,488,064
In-kind contributions	2,261,061	-	2,261,061
Grants from government agencies	4,008,877	-	4,008,877
Client fees	55,677	-	55,677
Investment return, net	142,495	(1,299)	141,196
Net change in beneficial interest in Trees of Hope	(10,692)	-	(10,692)
Miscellaneous	261,877	-	261,877
Net assets released from restrictions	11,143,466	(11,143,466)	-
Total public support and revenues	39,190,347	(5,206,746)	33,983,601
Expenses:			
Program Services			
Men's Development Center	5,108,369	-	5,108,369
Women and Family Development Center	13,024,548	-	13,024,548
Extended Services	2,735,977	-	2,735,977
Total program services	20,868,894	-	20,868,894
Management and general	3,084,071	-	3,084,071
Fundraising	4,348,705	-	4,348,705
Total expenses	28,301,670	-	28,301,670
Change in net assets	10,888,677	(5,206,746)	5,681,931
Net Assets, beginning of year	62,402,874	9,852,555	72,255,429
Net Assets, end of year	$ 73,291,551	$ 4,645,809	$ 77,937,360

STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services						
	Men's Development Center	Women and Family Development Center	Extended Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 2,370,590	$ 5,388,224	$ 1,117,841	$ 8,876,655	$ 1,640,434	$ 1,344,329	$ 11,861,418
Benefits	357,741	935,542	197,543	1,490,826	299,776	215,912	2,006,514
Payroll taxes	152,581	333,382	74,052	560,015	97,271	89,068	746,354
Workers compensation	6,743	14,887	2,466	24,096	1,486	1,265	26,847
Total salaries and related expenses	2,887,655	6,672,035	1,391,902	10,951,592	2,038,967	1,650,574	14,641,133
Temporary help services	183,382	384,581	-	567,963	93,638	26,532	688,133
Professional fees and contract services	259,732	558,556	6,353	824,641	289,043	327,319	1,441,003
Supplies	177,905	269,455	50,779	498,139	7,434	2,057	507,630
Telephone	46,244	142,301	30,525	219,070	37,111	18,232	274,413
Postage and handling	3,593	6,064	-	9,657	7,825	227,273	244,755
Occupancy	446,020	753,290	63,713	1,263,023	353,146	12,842	1,629,011
Equipment rent, maintenance and purchase	109,677	322,107	10,415	442,199	107,296	460,842	1,010,337
Printing and publications	16,332	25,665	348	42,345	48,296	625,354	715,995
Travel and transportation	28,167	71,788	21,032	120,987	14,415	8,084	143,486
Assistance to individuals and ministries	23,400	23,598	651,390	698,388	-	-	698,388
Donor acquisition	-	-	-	-	-	1,108,100	1,108,100
Interest expense	1,105	56,874	-	57,979	13,439	-	71,418
Miscellaneous expense	38,559	88,501	24,455	151,515	125,648	250,284	527,447
Total operating expenses	4,221,771	9,374,815	2,250,912	15,847,498	3,136,258	4,717,493	23,701,249
In-kind donations expense	741,328	695,823	160,971	1,598,122	1,139	199,870	1,799,131
Depreciation expense	299,403	2,250,948	14,799	2,565,150	9,378	-	2,574,528
Total expenses by function	5,262,502	12,321,586	2,426,682	20,010,770	3,146,775	4,917,363	28,074,908
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	456,583	456,583
Investment fees	-	-	-	-	68,380	-	68,380
Total expenses	$ 5,262,502	$ 12,321,586	$ 2,426,682	$ 20,010,770	$ 3,215,155	$ 5,373,946	$ 28,599,871

See accompanying notes.

STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services						
	Men's Development Center	Women and Family Development Center	Extended Services	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 2,227,829	$ 5,440,764	$ 1,098,637	$ 8,767,230	$ 1,729,953	$ 1,218,441	$ 11,715,624
Benefits	385,695	995,880	192,853	1,574,428	298,418	188,382	2,061,228
Payroll taxes	138,999	346,500	79,418	564,917	114,280	85,679	764,876
Workers compensation	13,878	28,840	4,155	46,873	2,491	1,803	51,167
Total salaries and related expenses	2,766,401	6,811,984	1,375,063	10,953,448	2,145,142	1,494,305	14,592,895
Temporary help services	152,441	432,271	1,788	586,500	25,692	22,550	634,742
Professional fees and contract services	176,607	520,580	4,381	701,568	229,281	371,422	1,302,271
Supplies	189,984	474,093	91,375	755,452	54,815	2,022	812,289
Telephone	42,491	137,589	31,248	211,328	36,087	15,598	263,013
Postage and handling	1,336	1,506	65	2,907	8,778	185,598	197,283
Occupancy	419,837	819,462	62,264	1,301,563	256,069	11,424	1,569,056
Equipment rent maintenance and purchase	140,970	282,337	19,741	443,048	92,326	318,782	854,156
Printing and publications	4,866	4,570	390	9,826	38,685	564,297	612,808
Travel and transportation	27,424	56,665	19,663	103,752	17,261	3,012	124,025
Assistance to individuals and ministries	19,231	39,658	735,193	794,082	-	-	794,082
Donor acquisition	-	-	-	-	-	961,847	961,847
Interest expense	2,614	241,252	2,529	246,395	49,572	-	295,967
Miscellaneous expense	41,693	88,669	25,168	155,530	126,444	248,998	530,972
Total operating expenses	3,985,895	9,910,636	2,368,868	16,265,399	3,080,152	4,199,855	23,545,406
In-kind donations expense	832,804	865,267	355,699	2,053,770	1,291	148,850	2,203,911
Depreciation expense	289,670	2,248,645	11,410	2,549,725	2,628	-	2,552,353
Total expenses by function	5,108,369	13,024,548	2,735,977	20,868,894	3,084,071	4,348,705	28,301,670
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	400,672	400,672
Investment fees	-	-	-	-	59,669	-	59,669
Total expenses	$ 5,108,369	$ 13,024,548	$ 2,735,977	$ 20,868,894	$ 3,143,740	$ 4,749,377	$ 28,762,011

See accompanying notes.

STAR OF HOPE MISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,195,475	$ 5,681,931
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on marketable securities	(1,197,984)	87,393
Depreciation	2,574,528	2,552,353
Amorization of debt issuance costs	5,387	38,752
Net change in beneficial interest in Trees of Hope	(30,907)	(31,308)
Paycheck Protection Program loan forgiveness	-	(2,495,800)
(Increase) decrease in operating assets:		
Receivables	(564,391)	126,414
United Way receivable	186,332	121,920
Pledges receivable, net	1,066,801	(182,361)
Prepaid expenses and other assets	(154,895)	(60,420)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(64,217)	(159,639)
Deferred rent	(18,130)	31,261
Total adjustments	1,802,524	28,565
Net cash provided by operating activities	2,997,999	5,710,496
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of investment securities	2,218,616	4,137,244
Purchase of investment securities	(2,435,833)	(5,752,243)
Purchase of land, buildings and equipment	(432,448)	(74,906)
Net cash used by investing activities	(649,665)	(1,689,905)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on vehicle notes payable	(28,423)	(36,213)
Draws on vehicle notes payable	-	12,965
Payments on construction loan account	(1,930,000)	(4,182,250)
Draws on line of credit	600,000	1,100,000
Payments on line of credit	(600,000)	(2,600,000)
Proceeds from Paycheck Protection Program loan	-	2,495,800
Net cash used by financing activities	(1,958,423)	(3,209,698)
NET INCREASE IN CASH AND CASH EQUIVALENTS	389,911	810,893
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	3,781,256	2,970,363
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$ 4,171,167	$ 3,781,256

See accompanying notes.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Men's Development Center - a 328 bed facility which provides emergency shelter and life-recovery services to men at various stages of self-sufficiency.

The Women and Family Development Center - a 600 bed facility which provides emergency shelter and life-recovery services to single women and single-parent families at various stages of self-sufficiency, which began operations in August 2017. It is also occupied by other nonprofit organizations that provide permanent supportive housing, job readiness training and after school programs for children. The Mission will continue development of the campus in future years as demand for additional services materializes.

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

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

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

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Mission considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents.

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

Pledges Receivables - Generally, no collateral or other security is required to support receivables. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific contributors. At December 31, 2021 and 2020, pledges from six and eight donors represented 76% and 85% of pledges, respectively.

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

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

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

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

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

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

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate which was 2% at both December 31, 2021 and 2020. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

A portion of the Mission's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts awarded are recognized as revenue when the Mission has incurred expenditures in compliance with specific contract or grant provisions.

Consequently, at December 31, 2021 and 2020, grant awards approximating $983,000 and $1,262,000, respectively, have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not been met.

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

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

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Donated Services - Donated services are reported as in-kind contributions at fair value if the service would typically need to be purchased by the Mission if they had not been provided by contribution, required specialized skills and were provided by individuals with those skills. For the years ended December 31, 2021 and 2020, the Mission recorded $516,061 and $581,173 of donated professional services, respectively. In addition, many individuals also volunteer their time and perform a variety of tasks that assist the Mission with specific client assistance programs, general maintenance and other projects. The Mission received more than 14,300 (unaudited) and 1,500 (unaudited) volunteer hours during 2021 and 2020, respectively, which are not reflected as revenues or expenses in the financial statements.

Income Taxes - The Mission is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Mission is subject to taxes on unrelated business income. There was no unrelated business income tax expense in 2021 and 2020.

The Mission believes that all significant tax positions utilized by the Mission will more likely than not be sustained upon examination. As of December 31, 2021, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2018 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as management and general expense in the statement of activities.

Self-Insurance - The Mission is self-insured for certain losses related to health insurance, although stop-loss coverage is maintained with third-party insurers to limit the liability exposure. Liabilities associated with those losses are estimated in part by considering historical claims experience, industry factors and severity factors. The Mission has deposited funds with the third party administrator in excess of the projected claims totaling $746,385 as of December 31, 2021. The Mission terminated the program as of December 31, 2021 and the funds are expected to be remitted back to the Mission.

Subsequent Events - The Mission has evaluated subsequent events through June 27, 2022, the date the financial statements were available to be issued. No subsequent events occurred or require adjustment or additional disclosure to the financial statements.

NOTE B LIQUIDITY AND AVAILABILITY

The Mission manages its liquidity by (i) developing a board approved annual budget that is cash neutral or reflects a surplus, (ii) monitoring liquidity with monthly cash flow projections, and (iii) when necessary, utilizing a $7,500,000 bank revolving credit line, as disclosed in Note G, to assist with unanticipated liquidity needs. In addition, as discussed in Note I, the Mission's Board of Trustees has established a policy that 4% of the net asset value of the endowment funds, computed at the beginning of the year, may be transferred to operations annually. This amount is included in the table of financial assets below. The endowment fund assets are pledged as collateral to secure the bank line of credit. Star of Hope Mission did not make a withdrawal from the endowment fund in 2021 due to high giving during the year.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 3,753,304	$ 3,441,936
Receivables	2,383,449	1,819,058
United Way receivables	497,508	683,840
Pledges receivable, net	1,915,360	2,179,729
4% Endowment distribution	-	413,811
Beneficial interest in Trees of Hope	375,605	344,698
Other assets	25,262	52,556
	$ 8,950,488	$ 8,935,628

NOTE C RECEIVABLES

Receivables consist of the following at December 31, 2021 and 2020:

	2021	2020
Government grants	$ 140,716	$ 181,241
Donations in transit	1,481,014	1,173,535
Insurance cash reserve	746,385	448,948
Miscellaneous	15,334	15,334
	$ 2,383,449	$ 1,819,058

Insurance cash reserve represents cash held by the third party administrator of the Mission's self-insured medical insurance program. This amount represents payments in excess of projected claims. The Mission terminated the program as of December 31, 2021 and the funds are expected to be remitted back to the Mission.

NOTE D PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2021 and 2020:

	2021	2020
Receivables due in less than one year	$ 2,150,638	$ 3,180,379
Receivables due after five years	200,000	200,000
Less allowance for uncollectible pledges	(211,521)	(174,461)
Less discount on long-term pledges receivable at 2%	(23,757)	(23,757)
Total pledges receivable, net	$ 2,115,360	$ 3,182,161

NOTE E LAND, BUILDINGS AND EQUIPMENT

At December 31, 2021 and 2020, the cost and accumulated depreciation of land, buildings and equipment were as follows:

	2021	2020
Land	$ 8,568,760	$ 8,568,760
Land improvements	7,024,540	7,024,540
Buildings and improvements	54,284,213	54,181,307
Equipment and furniture	2,946,546	2,870,381
Vehicles	722,164	620,790
Computers and software	3,075,963	3,024,894
Construction in progress	100,934	-
	76,723,120	76,290,672
Less accumulated depreciation	(15,654,526)	(13,079,998)
	$ 61,068,594	$ 63,210,674

NOTE F RETIREMENT PLAN

The Mission has established a defined contribution retirement plan commonly referred to as a 401(k) plan. Employees may choose to defer a portion of their compensation and the investments are selected by the employees. The Mission, at its discretion, may choose to make contributions to the plan. The Mission's contribution is vested on a graduated scale over six years. At the end of six years of service, the employee is fully vested. For the years ended December 31, 2021 and 2020, the Mission's contributions to the plan were approximately $425,000 and $400,000, respectively.

NOTE G NOTES PAYABLE AND LINE OF CREDIT

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

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

Floating Loan - The interest rate on outstanding borrowings will be floating at 30-day AMERIBOR + 175 basis points and 30-day LIBOR + 175 basis points for December 31, 2021 and 2020, respectively (indicative rate of 1.86% and 1.90% at December 31, 2021 and 2020, respectively).

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

The Mission has a $7,500,000 revolving line of credit (LOC) provided through the Mission’s bank. This credit line is secured by certain investment accounts (see Note I). The credit line becomes due in full for all outstanding borrowings in November 2022. Prepayment of the amount outstanding is allowed. Interest is charged at the 1-month LIBOR rate plus 175 basis points (1.85% and 1.90% for December 2021 and 2020, respectively) and is due monthly. There were no borrowings on the line of credit as of December 31, 2021 and 2020.

Notes payable and line of credit consist of the following at December 31, 2021 and 2020:

	2021	2020
Vehicle notes payable due monthly through October 2024	$ 92,038	$ 120,461
Floating loan maturing in June 2026	1,475,514	3,405,514
	1,567,552	3,525,975
Less unamortized debt issuance costs	-	(5,387)
	$ 1,567,552	$ 3,520,588

NOTE H NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2021 and 2020:

	2021	2020
Subject to expenditure for specific purpose:		
United Way receivable	$ 497,508	$ 683,840
Client programs	1,869,765	452,397
Land, buildings, and equipment and related debt service	887,178	2,211,117
	3,254,451	3,347,354
Subject to passage of time:		
For periods after December 31	1,239,314	248,455
Subject to the Mission's spending policy and appropriation:		
Perpetual endowment fund	1,075,000	1,050,000
	$ 5,568,765	$ 4,645,809

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows at December 31, 2021 and 2020:

	2021	2020
Satisfaction of program restrictions	$ 2,811,806	$ 10,556,175
Satisfaction of equipment acquisition restrictions	293,958	587,291
Expiration of time restrictions	94,707	-
	$ 3,200,471	$ 11,143,466

NOTE I ENDOWMENT FUNDS

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

The Mission's Board of Trustees has established a policy that at least 4% of the net asset value of this fund, computed at the beginning of the year, may be transferred to operations annually. Expending any amount in excess of 4% of the net asset value of the endowment or expending any portion of the initial contributions (both donor contributions and Mission transfers) to the endowment requires Finance and Endowment Committee recommendation and the vote of 75% of the entire Board of Trustees. Additionally, the assets of the endowment fund are collateral used to secure the Mission’s revolving credit facility (see Note G) and except for the 4% annual draw are not available for expenditure.

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

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

NOTE I ENDOWMENT FUNDS (CONTINUED)

The composition of and changes in endowment net assets as of December 31, 2021 and 2020 are as follows:

2021	Without Donor Restrictions (Board Designated)	With Donor Restrictions (Required to be Retained)	Total
Endowment net assets, beginning of year	$ 9,295,270	$ 1,050,000	$ 10,345,270
Contributions received	-	25,000	25,000
Investment returns, net (including investment fees of $68,380)	1,454,409	-	1,454,409
Endowment net assets, end of year	$ 10,749,679	$ 1,075,000	$ 11,824,679
2020			
Endowment net assets, beginning of year	$ 9,579,937	$ 1,050,000	$ 10,629,937
Investment returns, net (including investment fees of $59,669)	140,133	-	140,133
Appropriation of endowment net assets for expenditures	(424,800)	-	(424,800)
Endowment net assets, end of year	$ 9,295,270	$ 1,050,000	$ 10,345,270

NOTE J JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUNDRAISING APPEAL

The Mission conducts various activities that include requests for contributions as well as program and general and administrative components. These activities include advertising, public relations, and print communications. The costs associated with these activities include joint costs not directly attributable to any single function. During the years ended December 31, 2021 and 2020, these costs were allocated among the following functional expense categories as follows:

	2021	2020
Fund Raising	$ 2,770,016	$ 2,292,330
Men's Development Center	65,702	11,479
Women and Family Development Center	117,072	17,653
Management and general	501,657	466,871
	$ 3,454,447	$ 2,788,333

NOTE K FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

The fair value of corporate bonds and government securities is determined using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads, at the money volatility and/or volatility skew obtained from independent external parties such as vendors and brokers adjusted for any basis difference between cash and derivative instruments. When position-specific external price data are not observable, fair value is determined based on either benchmarking to similar instruments or cash flow models with yield curves, bond or single-name credit default swap spreads and recovery rates as significant inputs.

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

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

There have been no changes in the techniques used during 2021 and 2020. There were no significant transfers in and/or out of the fair value categories during 2021 and 2020. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Mission believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of financial instruments are categorized as follows as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stock	$ 5,467,023	$ -	$ -	$ 5,467,023
Preferred stock	422,276	-	-	422,276
Fixed income:				
Corporate bonds	-	663,733	-	663,733
Government securities	-	757,279	-	757,279
Mutual funds:				
Fixed income	493,964	-	-	493,964
Equity	975,328	-	-	975,328
Foreign blend	669,779	-	-	669,779
REITs	711,023	-	-	711,023
Alternative investments:				
Fund of funds	-	1,387,766	-	1,387,766
	$ 8,739,393	$ 2,808,778	$ -	$ 11,548,171

	2020			
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stock	$ 4,609,727	$ -	$ -	$ 4,609,727
Preferred stock	380,776	-	-	380,776
Fixed income:				
Corporate bonds	-	726,804	-	726,804
Government securities		491,715	-	491,715
Mutual funds:				
Fixed income	479,248	-	-	479,248
Equity	1,773,699	-	-	1,773,699
Alternative investments:				
Fund of funds	-	1,671,001	-	1,671,001
	$ 7,243,450	$ 2,889,520	$ -	$ 10,132,970

NOTE L RELATED PARTIES

Trees of Hope is a charitable 501(c)(3) corporation that donates the net proceeds from its fundraising activities to the Mission. Trees of Hope is controlled by a Board of Directors separate from that of the Mission; therefore, consolidated financial statements are not required. Instead, the Mission records its beneficial interest in the net assets of Trees of Hope. Contributions recorded during 2021 and 2020 totaled $300,000 and $287,000, respectively.

NOTE M COMMITMENTS AND CONTINGENCIES

The Mission leases office, warehouse and activity center space under operating leases with future commitments as follows:

2022	$ 383,162
2023	100,627
2024	13,087
	$ 496,876

Total rent expense, including rent assistance for clients of New Hope Housing (an unrelated non-profit organization) of $584,266 and $615,032, amounted to $1,261,166 and $1,133,617 for 2021 and 2020, respectively.

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

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

On January 27, 2017, the Mission entered into a performance based loan in the amount of $800,000 with the City for use in construction of certain residential buildings at the Women and Family Development Center. Under the terms of the agreement, the loan balance is automatically reduced by $160,000 each year (at no liability to the Mission) until it expires in five years. The Mission would be required to pay off the unpaid principal balance if it sells, transfers or assigns its interest in the facility within the five-year period. This contingency expired January 27, 2022.

NOTE M COMMITMENTS AND CONTINGENCIES (CONTINUED)

On January 8, 2018, the Mission executed a secondary Deed of Trust covering the single women's residential building at the Women and Family Development Center in favor of the Federal Home Loan Bank of Dallas in exchange for funding of a grant in the amount of $500,000. The funds were used to partially finance construction of the building and under the agreement, the Mission must continue to use the facility to meet the needs of the homeless for a fifteen-year term. Repayment would be required if the Mission were to change the use or sell the property. The Mission also has certain annual reporting requirements under the agreement.

NOTE N SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2021	2020
Cash paid during the year for:		
Interest	$ 73,531	$ 247,999

SINGLE AUDIT REPORTS ON EXPENDITURES OF FEDERAL AWARD PROGRAMS

STAR OF HOPE MISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Contract or Pass-through Grantor's I.D. Number	Current Year Revenue	Current Year Expenditures
U.S. Department of Housing and Urban Development				
Office of Community Planning and Development				
Continuum of Care Program	14.267	TX0299L6E001908	$ 1,001,736	$ 1,001,736
Continuum of Care Program	14.267	TX0299L6E002009	126,678	126,678
Total U.S. Department of Housing and Urban Development			1,128,414	1,128,414
U.S. Department of Agriculture				
Department of Agriculture Food and Nutrition Service				
Passed through Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	806780706	82,349	82,349
U.S. Department of Health and Human Services				
Passed through Texas Department of Housing and Community Affairs				
Passed through Gulf Coast Community Services Association				
COVID-19 FY 2020 Community Services Block Grant Program	93.569	61200003345	92,320	92,320
Total Expenditures of Federal Awards			$ 1,303,083	$ 1,303,083

NOTE A BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Significant deficiencies or material weaknesses related to the audit of the financial statements reported?	_______ Yes	___X___ No
Noncompliance material to the financial statements noted?	_______ Yes	___X___ No

Federal Awards

Significant deficiencies or material weaknesses related to the internal control over the major federal award programs reported?	_______ Yes	___X___ No
Type of auditors' report issued on compliance for each major program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_______ Yes	___X___ No

Identification of major programs:

CFDA Number	Name of Federal Program
14.267	Continuum Of Care Program

Dollar threshold used to distinguish between Type A and type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	___X___ Yes	_______ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

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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*

Board of Trustees
Star of Hope Mission

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States*,* the financial statements of Star of Hope Mission (the Mission), which comprise the statement of financial position as of December 31, 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 have issued our report thereon dated June 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mission's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 27, 2022

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

Board of Trustees
Star of Hope Mission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Star of Hope Mission's (the Mission) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Mission's major federal programs for the year ended December 31, 2021. The Mission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Mission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
June 27, 2022