

STAR OF HOPE MISSION
FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORT
DECEMBER 31, 2024 AND 2023

HARPER | PEARSON

ONE RIVERWAY DRIVE, SUITE 1900
HOUSTON, TX 77056

CONTENTS

	Page
Independent Auditor's Report.....	2-3
Statements of Financial Position	4
Statements of Activities.....	5-6
Statements of Functional Expenses.....	7-8
Statements of Cash Flows	9
Notes to Financial Statements	10-22
Single Audit Reports on Expenditures of Federal Award Programs	
Schedule of Expenditures of Federal Awards	23
Note to the Schedule of Expenditures of Federal Awards.....	24
Schedule of Findings and Questioned Costs.....	25
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	26-27
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28-30

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, 2024 and 2023, 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, 2024 and 2023, 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 and *Government 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 17, 2025, 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 effectiveness of the Mission's 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 17, 2025

STAR OF HOPE MISSION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,813,901	\$ 7,141,243
Receivables	1,346,876	1,590,757
Pledges receivable, net	659,589	1,332,539
Short-term investment securities	10,562,324	12,466,284
Prepaid expenses and other assets	613,238	894,830
Land, buildings and equipment, net	55,454,085	57,492,720
Right of use assets, net	1,462,275	1,845,249
Beneficial interest in Trees of Hope	<u>122,350</u>	<u>57,244</u>
 TOTAL ASSETS	 <u>\$ 72,034,638</u>	 <u>\$ 82,820,866</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,988,502	\$ 3,687,946
Notes payable and line of credit	1,400,000	5,877,380
Operating lease liabilities	<u>1,565,048</u>	<u>1,924,356</u>
 TOTAL LIABILITIES	 <u>5,953,550</u>	 <u>11,489,682</u>
 NET ASSETS		
Without donor restrictions	61,905,961	65,938,318
With donor restrictions	<u>4,175,127</u>	<u>5,392,866</u>
 TOTAL NET ASSETS	 <u>66,081,088</u>	 <u>71,331,184</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 72,034,638</u>	 <u>\$ 82,820,866</u>

STAR OF HOPE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	\$ 17,066,961	\$ 729,285	\$ 17,796,246
Special events, net	280,679	993,085	1,273,764
In-kind contributions	3,796,415	-	3,796,415
Grants from government agencies	1,483,396	-	1,483,396
Investment return, net	3,071,370	-	3,071,370
Net change in beneficial interest in Trees of Hope	65,106	-	65,106
Miscellaneous	609,169	-	609,169
Net assets released from restrictions	<u>2,940,109</u>	<u>(2,940,109)</u>	<u>-</u>
 Total public support and revenues	 <u>29,313,205</u>	 <u>(1,217,739)</u>	 <u>28,095,466</u>
Expenses:			
Program Services			
Men's Development Center	7,378,018	-	7,378,018
Women and Family Development Center	15,109,783	-	15,109,783
Extended Services	<u>2,275,161</u>	<u>-</u>	<u>2,275,161</u>
 Total program services	 24,762,962	 -	 24,762,962
Management and general	4,017,802	-	4,017,802
Fundraising	<u>4,564,798</u>	<u>-</u>	<u>4,564,798</u>
 Total expenses	 <u>33,345,562</u>	 <u>-</u>	 <u>33,345,562</u>
 Change in net assets	 (4,032,357)	 (1,217,739)	 (5,250,096)
 Net Assets, beginning of year	 <u>65,938,318</u>	 <u>5,392,866</u>	 <u>71,331,184</u>
 Net Assets, end of year	 <u>\$ 61,905,961</u>	 <u>\$ 4,175,127</u>	 <u>\$ 66,081,088</u>

See accompanying notes.

STAR OF HOPE MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:			
Contributions and other grants	\$ 20,253,430	\$ 1,684,806	\$ 21,938,236
Special events, net	347,219	1,291,834	1,639,053
In-kind contributions	3,238,947	-	3,238,947
Grants from government agencies	1,486,920	-	1,486,920
Client fees	28,820	-	28,820
Investment return, net	2,782,779	-	2,782,779
Net change in beneficial interest in Trees of Hope	(6,047)	-	(6,047)
Miscellaneous	224,923	-	224,923
Net assets released from restrictions	<u>2,818,541</u>	<u>(2,818,541)</u>	<u>-</u>
Total public support and revenues	<u>31,175,532</u>	<u>158,099</u>	<u>31,333,631</u>
Expenses:			
Program Services			
Men's Development Center	6,319,455	-	6,319,455
Women and Family Development Center	14,855,143	-	14,855,143
Extended Services	<u>2,891,489</u>	<u>-</u>	<u>2,891,489</u>
Total program services	24,066,087	-	24,066,087
Management and general	5,494,613	-	5,494,613
Fundraising	<u>5,373,637</u>	<u>-</u>	<u>5,373,637</u>
Total expenses	<u>34,934,337</u>	<u>-</u>	<u>34,934,337</u>
Change in net assets	(3,758,805)	158,099	(3,600,706)
Net Assets, beginning of year	<u>69,697,123</u>	<u>5,234,767</u>	<u>74,931,890</u>
Net Assets, end of year	<u>\$ 65,938,318</u>	<u>\$ 5,392,866</u>	<u>\$ 71,331,184</u>

See accompanying notes.

STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services				Management and General	Fundraising	Total
	Men's Development Center	Women and Family Development Center	Extended Services	Total Program Services			
Salaries	\$ 2,957,668	\$ 6,033,955	\$ 1,030,902	\$ 10,022,525	\$ 2,155,408	\$ 1,343,168	\$ 13,521,101
Benefits	462,406	1,167,623	200,996	1,831,025	228,336	224,261	2,283,622
Payroll taxes	229,586	463,557	79,758	772,901	155,283	102,136	1,030,320
Workers compensation	19,520	35,706	4,334	59,560	2,654	1,689	63,903
Total salaries and related expenses	3,669,180	7,700,841	1,315,990	12,686,011	2,541,681	1,671,254	16,898,946
Temporary help services	98,137	443,863	-	542,000	27,448	29,821	599,269
Professional fees and contract services	240,615	524,565	5,604	770,784	327,661	330,438	1,428,883
Supplies	327,662	447,250	50,439	825,351	5,145	1,753	832,249
Telephone	50,373	89,513	25,474	165,360	31,767	12,218	209,345
Postage and handling	1,938	3,855	2	5,795	9,193	258,600	273,588
Occupancy	605,394	1,234,128	62,772	1,902,294	390,377	12,623	2,305,294
Equipment rent, maintenance and purchase	128,366	252,009	7,926	388,301	83,262	466,502	938,065
Printing and publications	9,275	18,888	62	28,225	49,850	770,674	848,749
Travel and transportation	36,682	82,227	24,206	143,115	13,896	3,551	160,562
Assistance to individuals and ministries	25,011	44,443	642,803	712,257	-	-	712,257
Donor acquisition	-	-	-	-	-	370,485	370,485
Interest expense	-	-	-	-	325,502	-	325,502
Miscellaneous expense	38,245	86,644	25,965	150,854	167,318	193,696	511,868
Total operating expenses	5,230,878	10,928,226	2,161,243	18,320,347	3,973,100	4,121,615	26,415,062
In-kind donations expense	1,777,454	1,975,406	97,367	3,850,227	2,200	266,940	4,119,367
Depreciation expense	369,686	1,994,250	16,551	2,380,487	42,502	-	2,422,989
Bad debt expense	-	-	-	-	-	176,243	176,243
Casualty loss	-	211,901	-	211,901	-	-	211,901
Total expenses by function	7,378,018	15,109,783	2,275,161	24,762,962	4,017,802	4,564,798	33,345,562
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	598,978	598,978
Investment fees	-	-	-	-	176	-	176
Total expenses	<u>\$ 7,378,018</u>	<u>\$ 15,109,783</u>	<u>\$ 2,275,161</u>	<u>\$ 24,762,962</u>	<u>\$ 4,017,978</u>	<u>\$ 5,163,776</u>	<u>\$ 33,944,716</u>

See accompanying notes.

STAR OF HOPE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services				Management and General	Fundraising	Total
	Men's Development Center	Women and Family Development Center	Extended Services	Total Program Services			
Salaries	\$ 2,777,639	\$ 6,132,394	\$ 1,255,612	\$ 10,165,645	\$ 1,902,983	\$ 1,317,068	\$ 13,385,696
Benefits	473,603	1,210,646	285,559	1,969,808	358,432	245,199	2,573,439
Payroll taxes	209,523	462,796	94,929	767,248	135,228	96,843	999,319
Workers compensation	12,354	24,934	3,358	40,646	1,649	1,170	43,465
Total salaries and related expenses	3,473,119	7,830,770	1,639,458	12,943,347	2,398,292	1,660,280	17,001,919
Temporary help services	123,305	436,980	-	560,285	165,547	10,795	736,627
Professional fees and contract services	267,548	587,669	6,206	861,423	297,529	355,904	1,514,856
Supplies	320,190	500,558	50,619	871,367	6,163	2,354	879,884
Telephone	70,255	162,785	33,921	266,961	38,188	24,772	329,921
Postage and handling	3,777	6,538	1	10,316	9,721	217,696	237,733
Occupancy	614,619	1,221,555	44,383	1,880,557	376,070	12,844	2,269,471
Equipment rent maintenance and purchase	258,230	342,111	24,975	625,316	136,689	671,464	1,433,469
Printing and publications	17,356	34,962	522	52,840	53,682	685,361	791,883
Travel and transportation	37,226	79,121	35,701	152,048	15,091	7,610	174,749
Assistance to individuals and ministries	25,957	58,599	628,690	713,246	-	-	713,246
Donor acquisition	-	-	-	-	-	1,272,974	1,272,974
Interest expense	630	63,269	-	63,899	206,230	-	270,129
Miscellaneous expense	56,088	159,311	32,350	247,749	239,146	180,604	667,499
Total operating expenses	5,268,300	11,484,228	2,496,826	19,249,354	3,942,348	5,102,658	28,294,360
In-kind donations expense	713,440	1,586,326	375,057	2,674,823	840	270,979	2,946,642
Depreciation expense	337,715	1,784,589	19,606	2,141,910	24,064	-	2,165,974
Capital campaign write offs	-	-	-	-	1,527,361	-	1,527,361
Total expenses by function	6,319,455	14,855,143	2,891,489	24,066,087	5,494,613	5,373,637	34,934,337
Plus expenses netted against revenue on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	654,087	654,087
Investment fees	-	-	-	-	312	-	312
Total expenses	\$ 6,319,455	\$ 14,855,143	\$ 2,891,489	\$ 24,066,087	\$ 5,494,925	\$ 6,027,724	\$ 35,588,736

See accompanying notes.

STAR OF HOPE MISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (5,250,096)	\$ (3,600,706)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gain on marketable securities	(2,778,041)	(2,421,915)
Depreciation	2,422,989	2,165,974
Casualty loss	211,901	-
Non cash operating lease expense	23,666	28,091
Net change in beneficial interest in Trees of Hope	(65,106)	346,047
(Increase) decrease in operating assets:		
Receivables	243,881	(47,326)
United Way receivable	-	29,478
Pledges receivable, net	672,950	150,149
Prepaid expenses and other assets	281,592	(344,889)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(699,444)	692,719
Total adjustments	<u>314,388</u>	<u>598,328</u>
Net cash used by operating activities	<u>(4,935,708)</u>	<u>(3,002,378)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of investment securities	13,116,857	4,713,901
Purchase of investment securities	(8,434,856)	(4,724,708)
Purchase of land, buildings and equipment	<u>(596,255)</u>	<u>(616,933)</u>
Net cash provided (used) by investing activities	<u>4,085,746</u>	<u>(627,740)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on vehicle notes payable	(27,380)	(33,924)
Payments on construction loan account	-	(1,375,514)
Draws on line of credit	6,350,000	5,850,000
Payments on line of credit	<u>(10,800,000)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>(4,477,380)</u>	<u>4,440,562</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,327,342)	810,444
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	<u>7,141,243</u>	<u>6,330,799</u>
CASH AND CASH EQUIVALENTS, AT END OF YEAR	<u>\$ 1,813,901</u>	<u>\$ 7,141,243</u>

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 three-story downtown facility housing nearly 300 men, providing emergency shelter and life-recovery services to men at various stages of self-sufficiency.

The Women and Family Development Center - a campus-like facility with housing for over 500, providing emergency shelter and life-recovery services for 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's 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 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. Included in cash and cash equivalents is cash restricted for client savings accounts totaling \$456,709 and \$325,904 at December 31, 2024 and 2023, respectively.

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 uncollectible accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific contributors, historical trends, current conditions, and forward looking analysis. At December 31, 2024 pledges from two donors represented 27% of pledges. At December 31, 2023 pledges from three donors represented 53% of pledges.

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, 2024 and 2023. 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. At December 31, 2024 the Mission had a conditional promise to give of \$125,000, contingent upon securing matching gifts of an equal amount. The matching condition was met and the contribution was recognized during 2025.

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, 2024 and 2023, grant awards approximating \$1,070,000 and \$1,033,000, 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, 2024 and 2023, the Mission recorded \$2,120,113 and \$1,226,199 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 58,900 (unaudited) and 29,600 (unaudited) volunteer hours during 2024 and 2023, respectively, which are not reflected as revenues or expenses in the financial statements.

Income Taxes - The Mission through the year ended December 31, 2021 was a not-for-profit organization that was exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission applied with the Internal Revenue Service (IRS) during 2022 to change its exempt classification to a church under Section 170(b)(1)(A)(vi). The request was approved December 5, 2022. The Mission continues to be subject to taxes on unrelated business income. There was no unrelated business income tax expense in 2024 and 2023.

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, 2024, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2021 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. Beginning for the year ended December 31, 2022, the Mission no longer has an annual exempt organization filing requirement.

Leases - The Mission determines if an arrangement is a lease at inception. The Mission recognizes lease expense for short-term leases as payments are made. Long-term operating leases are included in right of use assets (ROU assets) and operating lease liabilities.

ROU assets represent the Mission's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Mission uses the implicit rate when readily determinable. As most of the Mission's leases do not provide an implicit rate, an incremental borrowing rate is used in determining the present value of lease payments based on the information available at the commencement date. The Mission elected the practical expedient to utilize a risk free interest rate (the US Treasury rate) as the incremental borrowing rate. The ROU asset also includes any lease payments made and excludes lease incentives received. The Mission's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events - The Mission has evaluated subsequent events through June 17, 2025, 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, (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 not included in the table of financial assets below.

Financial assets available for general expenditures within one year of the statement of financial position date are comprised of the following at December 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 1,357,192	\$ 6,815,339
Receivables	1,346,876	1,590,757
Pledges receivable, net	659,589	1,132,539
Beneficial interest in Trees of Hope	122,350	57,244
	<u>\$ 3,486,007</u>	<u>\$ 9,595,879</u>

NOTE C RECEIVABLES

Receivables consist of the following at December 31, 2024 and 2023:

	2024	2023
Government grants	\$ 170,335	\$ 193,568
Donations in transit	1,130,761	1,123,799
Miscellaneous	45,780	273,390
	<u>\$ 1,346,876</u>	<u>\$ 1,590,757</u>

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE D PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Receivables due in less than one year	\$ 747,787	\$ 1,229,694
Receivables due in one to five years	-	-
Receivables due after five years	-	200,000
Less allowance for uncollectible pledges	(88,198)	(73,398)
Less discount on long-term pledges receivable	<u>-</u>	<u>(23,757)</u>
Total pledges receivable, net	<u>\$ 659,589</u>	<u>\$ 1,332,539</u>

NOTE E LAND, BUILDINGS AND EQUIPMENT

At December 31, 2024 and 2023, the cost and accumulated depreciation of land, buildings and equipment were as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 8,568,760	\$ 8,568,760
Land improvements	7,024,540	7,024,540
Buildings and improvements	54,847,581	54,734,727
Equipment and furniture	3,404,482	2,970,653
Vehicles	838,805	838,805
Computers and software	3,277,229	3,247,020
Construction in progress	<u>11,732</u>	<u>293,372</u>
	77,973,129	77,677,877
Less accumulated depreciation	<u>(22,519,044)</u>	<u>(20,185,157)</u>
	<u>\$ 55,454,085</u>	<u>\$ 57,492,720</u>

During 2023 the Mission indefinitely suspended a proposed capital campaign, resulting in a write-off of accumulated costs of \$1,527,361 associated with the campaign. These costs are included in Management and General expense for year ended December 31, 2023.

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, 2024 and 2023, the Mission's contributions to the plan were approximately \$81,000 and \$388,000 respectively.

NOTE G NOTES PAYABLE AND LINE OF CREDIT

The Mission has a \$7,500,000 revolving line of credit (LOC) provided through the Mission's bank. The LOC is subject to a \$3,000,000 liquidity requirement (defined as cash and cash equivalents, plus investments). The credit line was extended from November 2022 and becomes due in full for all outstanding borrowings in November 2025. Prepayment of the amount outstanding is allowed. Interest is charged at the 30-day SOFR 1 month rate plus 175 basis points (6.23% and 7.11% for December 31, 2024 and 2023, respectively) and is due monthly.

The Mission had a Construction Loan Agreement to finance construction of improvements at the Women and Family Development Center which was fully repaid in 2023.

Notes payable and line of credit consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Vehicle notes payable due monthly through		
October 2024	\$ -	\$ 27,380
Revolving Line of Credit maturing November 2025	<u>1,400,000</u>	<u>5,850,000</u>
	<u>\$ 1,400,000</u>	<u>\$ 5,877,380</u>

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE H **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specific purpose:		
Client programs	\$ 1,566,485	\$ 2,413,852
Land, buildings, and equipment and related debt service	<u>451,984</u>	<u>532,607</u>
	2,018,469	2,946,459
Subject to passage of time:		
For periods after December 31	993,085	1,291,834
Subject to the Mission's spending policy and appropriation:		
Perpetual endowment fund	<u>1,163,573</u>	<u>1,154,573</u>
	<u>\$ 4,175,127</u>	<u>\$ 5,392,866</u>

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of program restrictions	\$ 908,411	\$ 740,922
Satisfaction of equipment acquisition restrictions	779,214	945,723
Expiration of time restrictions	<u>1,252,484</u>	<u>1,131,896</u>
	<u>\$ 2,940,109</u>	<u>\$ 2,818,541</u>

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.

NOTE I ENDOWMENT FUNDS (CONTINUED)

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.

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.

The composition of and changes in endowment net assets as of December 31, 2024 and 2023 are as follows:

	Without Donor Restrictions (Board Designated)	With Donor Restrictions (Required to be Retained)	Total
<u>2024</u>			
Endowment net assets, beginning of year	\$ 11,311,166	\$ 1,154,573	\$ 12,465,739
Contributions received	-	9,000	9,000
Investment returns, net (including investment fees of \$176)	2,974,842	-	2,974,842
Appropriation of endowment net assets for expenditures	<u>(4,886,857)</u>	<u>-</u>	<u>(4,886,857)</u>
Endowment net assets, end of year	<u>\$ 9,399,151</u>	<u>\$ 1,163,573</u>	<u>\$ 10,562,724</u>
<u>2023</u>			
Endowment net assets, beginning of year	\$ 8,955,434	\$ 1,116,673	\$ 10,072,107
Contributions received	-	37,900	37,900
Investment returns, net (including investment fees of \$312)	2,605,732	-	2,605,732
Appropriation of endowment net assets for expenditures	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Endowment net assets, end of year	<u>\$ 11,311,166</u>	<u>\$ 1,154,573</u>	<u>\$ 12,465,739</u>

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, 2024 and 2023, these costs were allocated among the following functional expense categories as follows:

	<u>2024</u>	<u>2023</u>
Fund Raising	\$ 2,035,018	\$ 2,372,260
Men's Development Center	78,328	77,417
Women and Family Development Center	106,234	156,085
Management and general	<u>473,505</u>	<u>519,356</u>
	<u>\$ 2,693,085</u>	<u>\$ 3,125,118</u>

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 technique 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.

STAR OF HOPE MISSION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE K FAIR VALUE MEASUREMENTS (CONTINUED)

There have been no changes in the technique used during 2024 and 2023. There were no significant transfers in and/or out of the fair value categories during 2024 and 2023. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Mission believes its valuation technique is 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, 2024 and 2023:

2024				
	Level 1	Level 2	Level 3	Total
Exchange Traded Products:				
Invesco ETF S&P 500	\$ 5,264,401	\$ -	\$ -	\$ 5,264,401
Mutual fund:				
Vanguard S&P 500 Index Fund	<u>5,297,923</u>	<u>-</u>	<u>-</u>	<u>5,297,923</u>
	<u>\$ 10,562,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,562,324</u>
2023				
	Level 1	Level 2	Level 3	Total
Equity securities:				
Common stock	\$ 545	\$ -	\$ -	\$ 545
Mutual fund:				
Vanguard S&P 500 Index Fund	<u>12,465,739</u>	<u>-</u>	<u>-</u>	<u>12,465,739</u>
	<u>\$ 12,466,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,466,284</u>

NOTE L LEASES

The Mission leases office, warehouse and activity center space under operating leases expiring from 2025 to 2032. Future minimum lease payments are as follows as of December 31, 2024:

2025	\$ 284,643
2026	203,096
2027	188,015
2028	195,035
2029	202,355
Thereafter	<u>616,321</u>
Total minimum lease payments	1,689,465
Less: Imputed interest	<u>(124,417)</u>
Present value of operating lease liabilities	<u>\$ 1,565,048</u>
Weighted-average remaining lease term (years)	7.3
Weighted-average discount rate	2.0%

Total rent expense, including rent assistance for clients of New Hope Housing (an unrelated non-profit organization) of \$653,098 and \$628,477, amounted to \$1,255,339 and \$1,246,616 for 2024 and 2023, respectively. The following table provides details regarding the components of operating lease expense for the years ended December 31, 2024:

	<u>2024</u>	<u>2023</u>
Operating lease expense components		
Leases with term greater than 12 months	\$ 477,368	\$ 475,092
Leases with term of 12 months or less	<u>777,971</u>	<u>771,524</u>
Total operating lease expense	<u>\$ 1,255,339</u>	<u>\$ 1,246,616</u>

Right of use asset additions are offset by a corresponding increase to operating lease liabilities and do not impact the consolidated statement of cash flows at commencement. For the years ended December 31, 2024 and 2023 right of use assets obtained in exchange for operating lease liabilities totaled \$59,503 and \$126,813, respectively.

NOTE M **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 2024 and 2023 totaled \$200,000 and \$390,000, respectively.

NOTE N **COMMITMENTS AND CONTINGENCIES**

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 facility 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.

In January 2018, the Mission executed a 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.

In June 2019, 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 \$209,304. The funds were used to partially rehabilitate the facility 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 O **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

	<u>2024</u>	<u>2023</u>
Cash paid during the year for:		
Interest	<u>\$ 359,918</u>	<u>\$ 234,326</u>

**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, 2024

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance 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	TX0299L6E002211	\$ 1,032,647	\$ 1,032,647
Continuum of Care Program	14.267	TX0299L6E002312	<u>144,858</u>	<u>144,858</u>
Total U.S. Department of Housing and Urban Development			1,177,505	1,177,505
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	<u>305,891</u>	<u>305,891</u>
Total Expenditures of Federal Awards			<u>\$ 1,483,396</u>	<u>\$ 1,483,396</u>

STAR OF HOPE MISSION
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2024

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 Principles, 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.

STAR OF HOPE MISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2024

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

14.267

Name of Federal Program

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

**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, 2024, 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 17, 2025.

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 17, 2025

**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, 2024. 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, 2024.

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 17, 2025