

HOUSE OF HOPE, INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2015 and 2014

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3-4
FINANCIAL STATEMENTS :	
STATEMENTS OF FINANCIAL POSITION	5
STATEMENTS OF ACTIVITIES	6
STATEMENTS OF FUNCTIONAL EXPENSES JUNE 30, 2015	7
STATEMENTS OF FUNCTIONAL EXPENSES JUNE 30, 2014	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10-20
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	21
INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22-23
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES OF THE AUDITOR GENERAL	24-25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE FINANCIAL ASSISTANCE	26-27
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	28-29
MANAGEMENT LETTER	30



CERTIFIED PUBLIC ACCOUNTANTS

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

(954) 561-2826 Phone
(954) 561-2881 Fax
msfengler@aol.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, FL

Report on the Financial Statements

We have audited the accompanying financial statements of the House of Hope, Inc., (the "Organization", a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, FL

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Hope, Inc., as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.650 Rules of the Auditor General, 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 of America. In our opinion, the information 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 February 18, 2016, on our consideration of House of Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering House of Hope, Inc.'s internal control over financial reporting and compliance.

Sullivan & Fengler CPA

Sullivan & Fengler
Fort Lauderdale, Florida
February 18, 2016

FINANCIAL STATEMENTS

HOUSE OF HOPE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents (Note A)	\$ 58,445	\$ 364,190
Investments (Note B)	-	12,055
Grants and contracts receivable	366,610	429,003
Accounts receivable/other	228	300
Inventory (Note A)	5,350	16,298
Prepaid expenses	80,955	17,477
Deferred mortgage costs (Note D)	4,616	10,674
Deposits	490	490
Property and equipment (less accumulated depreciation of \$3,859,210 in 2015, and \$3,677,573 in 2014) (Note E)	<u>936,690</u>	<u>1,115,944</u>
TOTAL ASSETS	<u>\$1,453,384</u>	<u>\$1,966,431</u>

LIABILITIES

Accounts payable	\$ 110,507	\$ 99,832
Accrued expenses	51,368	44,327
Other liabilities - client funds	36,706	50,497
Insurance note payable (Note H)	74,574	-
Debt (Notes D & F)	<u>481,937</u>	<u>490,138</u>
TOTAL LIABILITIES	<u>755,092</u>	<u>684,794</u>

COMMITMENTS AND CONTINGENCIES

- -

NET ASSETS

Unrestricted	698,292	1,281,637
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>698,292</u>	<u>1,281,637</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$1,453,384</u>	<u>\$1,966,431</u>
---	---------------------------	---------------------------

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

HOUSE OF HOPE, INC.
STATEMENT OF ACTIVITIES
Years Ended June 30,

UNRESTRICTED NET ASSETS

SUPPORT	<u>2015</u>	<u>2014</u>
Grants/contracts (Note C)	\$2,508,674	\$3,031,123
Food stamps	-	14,849
Contributions individual/business	6,280	29,366
Contributed in-kind (Notes A & F)		
Professional fees/medical supplies	418,043	397,405
Interest imputed	8,357	9,695
Other	-	5,830
Total Support	<u>2,941,354</u>	<u>3,488,268</u>
REVENUE		
Program fees	107,990	84,417
Other income	50,619	46,860
Investment return	791	2,680
Total Revenue	<u>159,400</u>	<u>133,957</u>
Total Support and Revenue	<u>3,100,754</u>	<u>3,622,225</u>
EXPENSES		
PROGRAM SERVICES		
Residential Level II	1,047,795	1,096,389
Intervention	21,120	18,537
Residential Level III	411,709	249,130
Other Residential	1,732,382	2,065,137
Intensive Outpatient	<u>110,781</u>	<u>114,778</u>
Total Program Expenses	<u>3,323,787</u>	<u>3,543,971</u>
SUPPORTING SERVICES		
Management and general	360,312	365,513
Fund raising/grant writing	-	90
Total Support Expenses	<u>393,288</u>	<u>365,603</u>
Total Expenses	<u>3,684,099</u>	<u>3,909,574</u>
CHANGE IN UNRESTRICTED NET ASSETS	<583,345>	<287,349>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	-	-
CHANGE IN NET ASSETS	<583,345>	<287,349>
NET ASSETS AT BEGINNING OF YEAR	<u>1,281,637</u>	<u>1,568,986</u>
NET ASSETS END OF YEAR	<u>\$ 698,292</u>	<u>\$1,281,637</u>

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

HOUSE OF HOPE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30,

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Change in net assets	\$<583,345>	\$<287,349>
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation/amortization	192,687	182,853
Unrealized <gain> loss on investments	<494>	<2,079>
Loan costs	<4,993>	-
<Increase> decrease in operating assets:		
Accounts receivable - other	72	3,564
Grants and contracts receivable	62,393	<137,278>
Inventory	10,948	<1,104>
Prepaid expenses	<63,478>	19,335
Increase <decrease> in operating liabilities:		
Accounts payable	10,675	47,923
Other liabilities	7,041	6,156
Accrued expenses	<13,791>	<16,810>
 NET CASH PROVIDED <Used> BY OPERATING ACTIVITIES	 <382,285>	 <184,789>
 CASH FLOWS TO INVESTING ACTIVITIES:		
Sale of investments	12,798	-
Purchase of investments	<249>	<177>
Payments for property, building and equipment	<2,382>	<135,828>
	<u>10,167</u>	<u><136,005></u>
 CASH FLOWS <TO> FROM FINANCING ACTIVITIES:		
Proceeds from insurance note	77,776	-
Payments on insurance note	<3,202>	-
Proceeds from debt financing	300,000	61,004
Payments on debt	<308,201>	<76,243>
	<u>66,373</u>	<u><15,239></u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 <305,745>	 <336,033>
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>364,190</u>	 <u>700,223</u>
 ENDING CASH AND CASH EQUIVALENTS	 \$ <u>58,445</u>	 \$ <u>364,190</u>
 Supplemental Information - Interest	 \$ <u>13,654</u>	 \$ <u>12,707</u>
Taxes	<u>-</u>	<u>-</u>

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

NOTES TO FINANCIAL STATEMENTS

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The House of Hope, Inc. (the Organization) is an intermediate residential facility for individuals recovering from alcohol and drug dependency. Organized in January 1969, the Organization, through its House of Hope, Stepping Stones, and Crowley House facilities, provides shelter, meals, treatment services for substance abuse, dually diagnosed (mental health and substance abuse) and HIV individuals, aftercare/outpatient services, medical services (as provided through contractual agreements), medication maintenance, life skills, restoring social and independent living skills and effective life management, employment counseling, relapse prevention, family groups, parenting programs, anger management, and re-entry to work programs. The Organization is supported primarily through grants, and donor contributions.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets at June 30, 2015 or 2014.

The accompanying Schedule of State Financial Assistance includes the projects of the House of Hope, Inc., and is presented with the requirements of the Florida Single Audit Act and Chapter 10.650, *Rules of the Auditor General* for the State of Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Grant expenditures are presented on the accrual basis of accounting.

The Organization did not received federal awards in excess of \$500,000 and is not required to have an audit of federal funds in accordance with the provisions of OMB Circular A-133. State Financial Assistance Projects have been audited in accordance with the Florida Single Audit Act and Chapter 10.650, *Rules of the Auditor General*.

State financial assistance that are included in the schedule may be received directly from state agencies. Certain of the Organization's State programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect. Matching costs (the Organization's share of certain program costs) are included in the reported expenditures.

No amounts were provided to subrecipients. There were no and no loans or loan guarantees outstanding at year-end.

Match requirements by the State of Florida Department of Children and Family Services were met on each applicable contract for the year.

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

3. Revenue Recognition

Contributions

The Organization accounts for contributions in accordance with FASB Accounting Standards Codification No. 958 regarding *Accounting for Contribution Received and Contributions Made*. Contributions, including unconditional promises to give, are recognized as revenues in the period when the conditions on which they depend are substantially met. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions, which are restricted by the donor, are reported as increases in unrestricted net assets if the restriction expires in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grants are recognized as revenue in the period when the conditions on which they depend are substantially met. The Organization typically meets the conditions of the grant in the same year as received.

Donated Services

Donated services (in-kind donations) are recognized as contributions in accordance with FASB Accounting Standards No. 958 regarding “*Accounting for Contributions Received and Contributions Made*”, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of donated services meeting the requirements for recognition in the financial statements was \$418,043 and \$397,405 for the years ended June 30, 2015 and 2014 respectively. The contributed services include doctors, medical personnel, prescriptions, and medical supplies (under the healthcare for the homeless program) these are recorded as professional fees/medical supplies on the statement of activities, and professional medical services on the statement of functional expenses. These services were donated by Broward Health.

In addition, many individuals volunteer their time and services and perform a variety of tasks that assist the Organization. These volunteer services do not meet the requirements for recognition in the financial statements.

4. Insurance

Insurance in effect at June 30, 2015 was \$3,000,000 aggregate liability, employee dishonesty and professional liability, \$1,000,000 each occurrence.

5. Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date.

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

5. Fair Value Measurement continued

The Organization has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at June 30, 2015 or 2014; therefore, no adjustment for the effect of FASB ASC 820 was made to the Organization's financial statements at June 30, 2015 or 2014.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

7. Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method, buildings 30 years, furniture, equipment, and vehicles 3-7 years. All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, and betterment's that materially prolong the useful lives of assets are capitalized.

8. Cash and Cash Equivalents

Cash and Cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less.

9. Inventory

Inventory consists primarily of food, cleaning supplies, and clothing and is stated at cost determined by the first-in, first-out method.

10. Investments

Investments are reflected on the statements of financial position at fair value. Changes in unrealized gains and losses resulting from change in the fair value are reflected in the statements of activities and changes in net assets. Dividend and interest are recognized as they are earned.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014**

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

11. Functional Expenses

The costs of providing the various programs and facilities have been summarized on a functional basis in the statement of activities. Expenditures are allocated to the facility and program based on direct expenditures incurred. Any expenditure not directly chargeable has been allocated among the program and supporting services benefited.

12. Income Taxes

The Organization qualified as a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code and, therefore has no provision for federal income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private organization under Section 509(a)(2). Income from certain Organization activities not directly related to its tax-exempt purpose may be subject to income tax. The current and previous three years remain subject to examination by the IRS. There was no unrelated business income or deferred taxes for the year ended June 30, 2015 or 2014.

NOTE B- INVESTMENTS

Investments are stated at fair value and consist of investments in equity securities. Fair values are determined by reference to quoted market prices. Fair values and unrealized appreciation <depreciation> at June 30, 2014 are summarized below. All stocks were sold in 2015.

June 30, 2014

<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
<u>\$ 5,937</u>	<u>\$12,055</u>	<u>\$ 6,118</u>

The following summarizes the investment returns and their classifications in the statement of activities and changes in net assets for the year ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 297	\$ 686
Realized and unrealized gains (losses)	494	2,079
Service charges	<u>-</u>	<u><85></u>
Investment return	<u>\$ 791</u>	<u>\$2,680</u>

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE B- INVESTMENTS – continued

Fair Value Measurements

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical assets or liabilities in active markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs in the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014.

Mutual Funds and Stock: Valued at the quoted market value of shares held at year end.

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 Organization believes its valuation methods are appropriate and consistent with other markets, the use of different methodologies to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's assets were short term Level 1 assets as of June 30, 2014. There were no Level 2 or Level 3 assets.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014**

NOTE C - SUMMARY OF GRANTS/CONTRACTS FUNDING - 2015

House of Hope, Inc. was primarily funded through the following grants and contracts for the period July 1, 2014 to June 30, 2015:

<u>Federal State Agency Pass-through Entity</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
FEDERAL AGENCY NAME			
United States Department of Health and Human Services Department of Children and Families	93.958	34321	\$ 34,897
Pass-through State of FL	93.959	34321	273,939
USDA Food			28,730
Medicaid	93.778		<u>10,052</u>
Total Expenditure of Federal Awards			<u>347,618</u>
STATE AGENCY NAME			
State of Florida Department of Children and Families	60.131	34358	744,193
	60.114	34358	<u>781</u>
			<u>7434,974</u>
Pass-through State of FL			
State of Florida Department of Correction	70.016	C2414/C2653	<u>1,416,082</u>
Total State Financial Assistance			<u>2,161,056</u>
Total Expenditure of Federal Awards and State Financial Assistance			<u>\$2,508,674</u>

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014**

NOTE C - SUMMARY OF GRANTS/CONTRACTS FUNDING - 2014

House of Hope, Inc. was primarily funded through the following grants and contracts for the period July 1, 2013 to June 30, 2014:

<u>Federal State Agency Pass-through Entity</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
FEDERAL AGENCY NAME			
United States Department of Health and Human Services Department of Children and Families	93.958	34321	\$ 54,096
Pass-through State of FL	93.959	34321	500,149
Medicaid	93.778		<u>38,517</u>
Total Expenditure of Federal Awards			<u>592,762</u>
STATE AGENCY NAME			
State of Florida Department of Children and Families	93.958	34321	546,970
	93.959	34321	384,890
		34321	<u>5,647</u>
Pass-through State of FL			<u>937,507</u>
State of Florida Department of Correction	70.016	C2414/C2653	<u>1,500,854</u>
Total State Financial Assistance			<u>2,438,361</u>
Total Expenditure of Federal Awards and State Financial Assistance			<u>\$3,031,123</u>

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014**

NOTE D – DEBT

	<u>2015</u>	<u>2014</u>
BB&T – loan entered into September 7, 2014 fixed rate 4.15, 120 month (ten year) term loan for \$300,000 monthly payments are \$3,067. This loan contains other restricting covenants. Mortgage collateral, real estate.	\$281,141	\$ -
Fifth Third Bank – loan entered into January 27, 2006 variable rate ten year \$452,000 refinancing, construction, and permanent financing loan, interest only during construction. During February 2009 this loan was converted to a term loan at a variable rate of interest maturing February 2022. Monthly payments are \$4,138. This loan contains other restricting covenants. Mortgage collateral, real estate. This loan refinanced by the above loan with BB&T.	-	249,744
City of Fort Lauderdale, entered in 1999 20 year loan – ten years no payment, zero interest, payments commenced November, 2011. Mortgage collateral, real estate. (See Note G)	139,297	161,584
BB&T Business loans- three loans for vehicle purchases entered into June 2014 – four year 4.15 percent with combined monthly payments of \$1,159.	50,152	61,701
Ford Motor Credit – truck purchase entered into March 2013 – four year 5.49 percent with monthly payments of 593.	<u>11,347</u>	<u>17,108</u>
Total debt	<u>\$481,937</u>	<u>\$490,137</u>

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014**

NOTE D – DEBT

Aggregate principal maturities for the next five years for June 30, are as follows:

2016	\$ 66,367
2017	65,977
2018	62,965
2019	63,440
2020	52,262
Thereafter	<u>170,926</u>
	<u>\$481,937</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30, consists of the following:

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 291,633	\$ 291,633
Buildings	3,347,754	3,347,754
Furniture and equipment	911,080	908,697
Transportation vehicles	<u>245,433</u>	<u>245,433</u>
	4,795,900	4,793,517
Accumulated depreciation	<u><3,859,210></u>	<u><3,677,573></u>
	<u>\$ 936,690</u>	<u>\$1,115,944</u>

Depreciation expense was \$181,637 and \$181,232 for the years ending June 30, 2015 and 2014 respectively.

Some of the Organization's land and buildings are pledged as collateral.

NOTE F – IMPUTED INTEREST/DEBT

During 1999 the House of Hope, Inc., received \$222,933 from the City of Fort Lauderdale for rehabilitation of its facilities under a twenty year zero interest loan, deferred payments for ten years. Payments commenced November, 2011 with monthly payments of \$1,857.

Interest is being imputed on this loan at a rate of six percent. Contributions of interest imputed and interest expense are recorded in the statement of activities for \$8,357 and \$9,695 for the years ended June 30, 2015 and 2014.

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE G – CONTINGENCIES/COMMITMENTS

Substantial Support

For the year ending June 30, 2015 and 2014 the House of Hope, Inc. had substantial support from the State of Florida Department of Children and Family and the State of Florida Department of Corrections. A change in this support, if it were to occur, would significantly affect the operations of the House of Hope, Inc. as it currently exists.

Amounts received from grantor agencies are subject to additional audit and adjustment. As a result of such audits, the grantor may require that amounts be returned.

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by the government.

The Organization has entered into an operating lease for office equipment. Rent expense on this operating lease was \$5,432 and \$2,716 for 2015 and 2014 respectively. Future minimum rent payments under this lease are as follows as of June 30:

2016	\$ 5,433
2017	5,433
2018	5,433
2019	4,074
	<u>\$20,373</u>

NOTE H – INSURANCE NOTE PAYABLE

The House of Hope, Inc., has financed the payments on two of its insurance policies. The first was entered into on April 16, 2015, for a principal amount of \$17,961 at an annual rate of 7.62% with eleven monthly payments of \$1,702 payments commenced on June 1, 2015, as of June 30, 2015 ten payments remained. The second was entered into on May 28, 2015 for a principal amount of \$57,040 at an annual rate of 7.62% with ten monthly payments of \$5,926 payments commenced on July 1, 2015 as of June 30, 2015 all ten payments remained. Future principal commitments on these two notes are \$73,363 for the year ending June 30, 2016.

NOTE I - RELATED PARTY TRANSACTIONS

The following are the related party transactions for the year ended June 30,

	<u>2015</u>	<u>2014</u>
Printing purchased from a board members company	\$ <u>1,843</u>	\$ <u>5,187</u>
Subcontract labor/salary brother of previous CEO	\$ _____ -	\$ <u>15,216</u>
Sale of vehicle previous CEO	\$ _____ -	\$ <u>5,000</u>

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2015 and 2014

NOTE J – MORATORIUM ON SERVICES

The managing entity for the Department of Children and Family Services and the Department of Corrections placed a moratorium on billing effective October 2014. These moratoriums were lifted December 12, 2014.

NOTE K – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 18, 2016, the date which the financial statements were available to be issued.

HOUSE OF HOPE, INC.
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2015

<u>State Agency/ Pass through Entity/ Program Title</u>	<u>CSFA Number</u>	<u>Provider Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfer to Sub recipients</u>
STATE FINANCIAL ASSISTANCE				
State of Florida Department of Children And Families: Mental Health Substance Abuse Facility	60.131	34358	744,193	-
Forensic Competency Restoration	60.114	34358	<u>781</u>	<u>-</u>
			<u>744,974</u>	<u>-</u>
 State of Florida: Department of Correction Substance Abuse Services	 70.016	 C2414/C2653	 <u>1,416,082</u>	 <u>-</u>
 Total Expenditure of State Financial Assistance			 <u>2,161,056</u>	 <u>-</u>

The matching requirements for the State of Florida Department of Children and Families were met on each applicable contract for the year ending June 30, 2015.



CERTIFIED PUBLIC ACCOUNTANTS

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

(954) 561-2826 Phone
(954) 561-2881 Fax
msfengler@aol.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of House of Hope, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, Florida

Compliance and other Matters

As part of obtaining reasonable assurance about whether House of Hope, Inc.'s financial statements are free from 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sullivan & Fengler CPA

Sullivan & Fengler
Fort Lauderdale, Florida
February 18, 2016



CERTIFIED PUBLIC ACCOUNTANTS

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

(954) 561-2826 Phone
(954) 561-2881 Fax
msfengler@aol.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650, RULES
OF THE AUDITOR GENERAL**

To the Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, Florida

Report on Compliance for Each Major State Project

We have audited the House of Hope, Inc.'s compliance with the types of compliance requirements described in the *Department of Financial Services State Projects Compliance Supplement*, that could have a direct and material effect on each of House of Hope, Inc.'s major State projects for the year ended June 30, 2015. House of Hope, Inc.'s major State Projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its and State Projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of House of Hope, Inc.'s major State Projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a State Projects occurred. An audit includes examining, on a test basis, evidence about House of Hope, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State Projects. However, our audit does not provide a legal determination of House of Hope, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, House of Hope, Inc.'s 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 State projects for the year ended June 30, 2015.

Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, Florida

Report on Internal Control over Compliance

Management of House of Hope, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered House of Hope, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major State Project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the State Projects and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of House of Hope, Inc.'s 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 State Project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 State Project 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 State Project 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Sullivan & Fengler CPA

Sullivan & Fengler
Fort Lauderdale, Florida
February 18, 2016

HOUSE OF HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___yes Xno

Significant deficiency (ies) identified? ___yes Xnone reported

Noncompliance material to the financial statements noted? ___yes Xno

State Projects

Type of auditor's report issued on compliance for major Projects: Unmodified

Internal control over major projects:

Material weakness(es) identified? ___yes Xno

Significant deficiencies identified? ___yes Xnone reported

Any audit finding disclosed that are required to be Reported in accordance with Chapter 10.650, *Rules Of the Auditor General of the State of Florida*? ___yes Xno

Identification of Major State Financial Assistance Projects:

Florida Department of Children and Families	
CSFA No. 60.131	\$ 744,193
Florida Department of Correction	
CSFA No. 70.016	\$1,416,082
 Dollar threshold used to distinguish between Type A and Type B programs:	 \$ 300,000

HOUSE OF HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
Year Ended June 30, 2015

Section II - Findings - Financial Statement Findings

(A) Internal Control Findings
No matters were reported.

(B) Compliance Findings
No matters were reported.

Section III – State Projects Findings and Questioned Costs

No matters were reported.

Section IV – Other Reporting

(A) No Corrective Action Plan is presented because there were no findings required to be reported under the Florida Single Audit Act.

HOUSE OF HOPE, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2015

2014-1 Financial Reporting

Condition: A checking account is maintained in Fifth Third Bank, the mortgage and “all in one card” (credit cards) are automatically processed from this account. Statements were not received from this account and the activity was not recorded until after year end.

Criteria: Internal controls should be in place to provide for the recording of all transactions.

Effect: Financial statements may be inaccurate.

Recommendation: Statements should be obtained monthly and all transactions recorded.

Corrective Action Taken: The statements are being received and the activity posted on a timely basis.

2014-2 Meeting Minutes

Condition: Meeting minutes did not appear to be complete or accurate. Meeting minutes had the same verbiage, voting and conclusions were not always apparent additionally, it was not clear if all meetings held had minutes.

Criteria: Internal controls should be in place to provide for the accurate recording of all decisions reached and meeting held.

Effect: Actions taken by the Board may not be carried out as they were not documented.

Recommendation: All pertinent information should be in the official minutes, signed by the secretary and maintained as part of the permanent records of the House.

Corrective Action Taken: The minutes taken for the board meetings appear to be complete.

2014-3 Laundry and Cigarette Money

Condition: A monthly check is cut for laundry and cigarette money. A complete accounting of these funds was not being reviewed or attached to the disbursement.

Criteria: Internal controls should be in place to provide documentation for all transactions.

Effect: Unapproved expenditures may occur.

Recommendation: This procedure had been reviewed and a new system of inventory for cigarettes, purchases with receipts, and signing for money disbursed for laundry was put into place in 2012 this documentation is not being reviewed or attached or to the disbursement.

HOUSE OF HOPE, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - continued
Year Ended June 30, 2015

Corrective Action Taken: The House of Hope has become a smoke free facility and no longer purchases cigarettes. Laundry money has implemented more controls and is accounting for funds disbursed.

2014-4 Input Florida Department of Children and Families portal

Condition: Errors were found in the reportable units of service input by client to the managing entity's portal. Certain eligible units were not reported.

Criteria: Internal controls should be in place to provide for double checking the input for completeness and accuracy.

Effect: Funding was not received on all allowable units.

Recommendation: A total should be done of the units input and the source information.

Corrective Action Taken: New input controls were put in place and upon testing no exceptions were noted.

Section IV – Other Issues

2014-5 Sale of Vehicle

Condition: A truck was sold to the exiting Executive Director after substantial repairs were made to the vehicle.

Criteria: Internal controls should be in place to provide documentation for the market value of this vehicle prior to the sale.

Effect: Related party transaction occurred that may not have been appropriate.

Corrective Action Taken: The Board has implemented a policy which does not allow any related party transactions.



CERTIFIED PUBLIC ACCOUNTANTS

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

MEMBER AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS

(954) 561-2826 Phone
(954) 561-2881 Fax
msfengler@aol.com

Management Letter

To the Board of Trustees of the
House of Hope, Inc.
Fort Lauderdale, FL

Report on the Financial Statements

We have audited the financial statements of the House of Hope, Inc., as of and for the fiscal year ended June 30, 2015 and have issued our report there on dated February 18, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Chapter 10.650, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal control over Financial Reporting and Compliance and Other Matters Based on and Audit of the Financial Statements Performed in Accordance *Government Auditing Standards*, Independent Auditors Report on Compliance for Each Major State Project and report on Internal Control over Compliance in accordance with Chapter 10.650, Rules of the Florida Auditor General and Schedule of Finding and Questioned Costs. Disclosures in these reports and schedule, which are dated February 18, 2016, should be considered in conjunction with this management letter.

Other Matters

Section 10.654 (1) (e), Rules of the Auditor General, require that we address noncompliance with the provisions of grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statement or State Project amount that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Prior Year Findings and Questioned Costs

The Rules of the Auditor General also require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls, whether or not recommendations made in the preceding management letter have been followed or no longer apply. We refer you to the Schedule of Prior Audit Findings on pages 28-29.

Purpose of this Letter

The purpose of this report is solely for the requirements of Chapter 10.650, Rules of the Auditor General, Grantors, Board of Trustees and management. Accordingly, this report is not suitable for any other purpose.

Sullivan & Fengler CPA

Sullivan & Fengler
Fort Lauderdale, Florida
February 18, 2016