

HOUSE OF HOPE, INC.

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2019 and 2018

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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., (Organization, a nonprofit organization), which comprise the statements of financial position as of June 30, 2019, and 2018, 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, 2019, and 2018, 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

Supplementary and 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, page 24, 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.

Additionally, our audit was performed for the purpose of forming an opinion on the basic financial statements of the House of Hope, Inc. taken as a whole. The accompanying Schedules on pages 35-36 (unaudited) are presented for purposes of additional analysis as required by the grantor. This information is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, 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
December 12, 2019

FINANCIAL STATEMENTS

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

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Notes B)	\$ 155,831	\$ 413,804
Restricted cash clients	39,173	41,500
Grants and contracts receivable	792,725	589,548
Other receivables	2,681	-
Inventory (Note B)	10,851	10,851
Prepaid expenses	221,459	134,324
Investments - other (Note I)	783,696	766,126
Deferred mortgage costs	2,602	3,105
Deposits	490	490
Property and equipment (less accumulated depreciation of \$2,524,628 in 2019, and \$2,428,915 in 2018) (Note C)	<u>1,017,373</u>	<u>773,792</u>
TOTAL ASSETS	<u>\$3,026,881</u>	<u>\$2,733,540</u>

LIABILITIES

Accounts payable	\$ 110,163	\$ 46,847
Accrued expenses	143,164	104,231
Other liabilities - client funds	39,173	40,487
Debt (Notes E,F)	<u>225,563</u>	<u>284,531</u>
TOTAL LIABILITIES	<u>518,063</u>	<u>476,096</u>

COMMITMENTS AND CONTINGENCIES

- -

NET ASSETS

without donor restrictions	2,457,151	2,257,444
with donor restrictions (Note J)	<u>51,667</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,508,818</u>	<u>2,257,444</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$3,026,881</u>	<u>\$2,733,540</u>
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The accompanying notes are an integral part of these financial statements.

HOUSE OF HOPE, INC.
STATEMENT OF ACTIVITIES
Years Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Grants/contracts (Note D)	\$3,821,894	\$ -	\$3,821,893
Bequests	-	-	-
Contributions individuals			
Businesses/foundations	68,550	110,000	178,551
Contributions in-kind (Notes B,F)			
Professional fees	3,240	-	3,240
Interest imputed	4,327	-	4,327
	<u>3,898,011</u>	<u>110,000</u>	<u>4,008,011</u>
Program fees	63,951	-	63,951
Insurance settlement	33,270	-	33,270
Other income	45,941	-	45,941
Gain on sale of fixed asset	8,000	-	8,000
Interest income	17,723	-	17,723
	<u>168,885</u>	<u>-</u>	<u>168,885</u>
Net assets released from restrictions:	<u>58,333</u>	<u><58,333></u>	<u>-</u>
Total revenue, support, and gains	<u>4,125,229</u>	<u>51,667</u>	<u>4,176,896</u>
Expenses and Losses			
Program services expense			
Residential Level II	1,237,443	-	1,237,443
Residential Level III	329,296	-	329,296
Other Residential	1,777,414	-	1,777,414
Out Patient/Other	65,635	-	65,635
	<u>3,409,788</u>	<u>-</u>	<u>3,409,788</u>
Supporting services expense			
Management and general	412,052	-	412,052
Fund raising and development	103,682	-	103,682
Total support services	<u>515,734</u>	<u>-</u>	<u>515,734</u>
Total functional expenses	<u>3,925,522</u>	<u>-</u>	<u>3,925,522</u>
CHANGE IN NET ASSETS	199,707	51,667	251,374
NET ASSETS AT BEGINNING OF YEAR	<u>2,257,444</u>	<u>-</u>	<u>2,257,444</u>
NET ASSETS AT END OF YEAR	<u>\$2,457,151</u>	<u>\$ 51,667</u>	<u>\$2,508,818</u>

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

HOUSE OF HOPE, INC.
STATEMENT OF ACTIVITIES
Years Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Support, and Gains			
Grants/contracts (Note D)	\$3,727,191	\$ -	\$3,727,191
Bequests	224,286	-	224,286
Contributions individuals Businesses/foundations	84,484	37,500	121,984
Contributions in-kind (Notes B,F) Professional fees/medical	137,145	-	137,145
Interest imputed	7,383	-	7,383
	<u>4,180,489</u>	<u>37,500</u>	<u>4,217,989</u>
Program fees	72,501	-	72,501
Other income	50,669	-	50,669
Interest income	7,323	-	7,323
	<u>130,493</u>	<u>-</u>	<u>130,493</u>
Net assets released from restrictions:	<u>65,188</u>	<u><65,188></u>	<u>-</u>
Total revenue, support, and gains	<u>4,376,170</u>	<u><27,688></u>	<u>4,348,482</u>
Expenses and Losses			
Program services expense			
Residential Level II	1,193,684	-	1,193,684
Residential Level III	347,939	-	347,939
Other Residential	1,629,648	-	1,629,648
Out Patient/Other	58,652	-	58,652
	<u>3,229,923</u>	<u>-</u>	<u>3,229,923</u>
Supporting services expense			
Management and general	385,586	-	385,586
Fund raising and development	115,678	-	115,678
Total support services	<u>501,264</u>	<u>-</u>	<u>501,264</u>
Total functional expenses	<u>3,731,187</u>	<u>-</u>	<u>3,731,187</u>
CHANGE IN NET ASSETS	644,983	<27,688>	617,295
NET ASSETS AT BEGINNING OF YEAR	<u>1,612,461</u>	<u>27,688</u>	<u>1,640,149</u>
NET ASSETS AT END OF YEAR	<u>\$2,257,444</u>	<u>\$ -</u>	<u>\$2,257,444</u>

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

House of Hope, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>			Total
	Residential Level II	Residential Level III	Other Residential	Out Patient Other	Total Program	Administration	Fund Raising	
Payroll	\$ 642,281	\$ 170,918	\$ 857,868	\$ 33,584	\$ 1,704,651	\$ 233,803	\$ 52,079	\$ 1,990,533
Payroll taxes	69,864	18,592	90,346	3,835	182,637	18,313	5,243	206,193
Computer Expense	21,351	5,682	30,616	675	58,324	4,809	2,586	65,719
Food and Supplies	80,545	21,434	183,533	216	285,728	4,455	434	290,617
Insurance	84,824	22,573	107,401	21,418	236,216	39,484	7,279	282,979
License/Fees/Dues	11,180	2,975	17,917	375	32,447	2,777	546	35,770
Supplies/Other	23,999	6,386	34,625	583	65,593	41,456	1,695	108,744
Postage	365	97	533	9	1,004	63	60	1,127
Professional Fees	38,169	10,157	71,834	657	120,817	4,400	26,521	151,738
Repairs and Maintenance	92,825	24,702	122,935	1,010	241,472	16,792	1,942	260,206
Seminars/Training	4,169	1,109	5,605	366	11,249	451	696	12,396
Program/Supplies	37,007	9,848	59,894	23	106,772	4,206	45	111,023
Medical Expenses	1,877	499	2,804	-	5,180	-	-	5,180
Professional Medical Services	2,813	748	6,096	3	9,660	19	6	9,685
Telephone	6,869	1,828	9,750	225	18,672	1,942	397	21,011
Utilities	61,231	16,294	81,041	319	158,885	20,928	309	180,122
Equipment Rental	2,863	762	3,563	77	7,265	734	130	8,129
Transportation/Travel/Meetings	10,274	2,734	23,756	-	36,764	3,121	333	40,218
Employee Recruitment	6,740	1,793	12,432	234	21,199	1,580	181	22,960
Total Expense Before Depreciation	1,199,246	319,131	1,722,549	63,609	3,304,535	399,333	100,482	3,804,350
Depreciation/Amortization	38,197	10,165	54,865	2,026	105,253	12,719	3,200	121,172
Total Expenses	\$1,237,443	\$329,296	\$1,777,414	\$65,635	\$3,409,788	\$412,052	\$103,682	\$3,925,522

The accompanying Notes are an integral part of this statement.

House of Hope, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>			Total
	Residential Level II	Residential Level III	Other Residential	Out Patient Other	Total Program	Administration	Fund Raising	
Payroll	\$ 591,853	\$ 172,515	\$ 810,551	\$ 41,991	\$ 1,616,910	\$ 208,952	\$ 52,270	\$ 1,878,132
Payroll taxes	57,356	16,718	75,280	3,858	153,212	20,400	4,472	178,084
Computer Expense	21,988	6,409	37,750	725	66,872	3,425	3,495	73,792
Food and Supplies	81,958	23,890	198,820	201	304,869	23,305	505	328,679
Insurance	78,202	22,794	102,672	1,643	205,311	23,985	6,928	236,224
Interest Expense	-	-	-	-	-	7,689	-	7,689
License/Fees/Dues	12,087	3,523	20,786	4,227	40,623	4,308	3,345	48,276
Supplies/Other	15,591	4,545	21,368	431	41,935	35,968	2,311	80,214
Postage	574	168	934	16	1,692	92	9,266	11,050
Professional Fees	143,961	41,962	78,188	1,954	266,065	4,004	18,928	288,997
Repairs and Maintenance	41,078	11,974	54,797	341	108,190	12,459	390	121,039
Seminars/Training	2,828	824	4,269	76	7,997	5,335	6,484	19,816
Program/Supplies	36,043	10,506	63,189	144	109,882	2,494	427	112,803
Medical Expenses	1,938	565	3,901	-	6,404	-	-	6,404
Professional Medical Services	3,000	874	7,481	-	11,355	-	-	11,355
Telephone	6,201	1,807	8,712	248	16,968	1,176	343	18,487
Utilities	47,942	13,974	66,600	546	129,062	15,592	-	144,654
Equipment Rental	4,469	1,303	5,588	82	11,442	661	125	12,228
Transportation/Travel/Meetings	7,750	2,259	15,642	-	25,651	4,477	2,962	33,090
Employee Recruitment	4,761	1,388	6,560	493	13,202	458	122	13,782
Total Expense Before Depreciation	1,159,580	337,998	1,583,088	56,976	3,137,642	374,780	112,373	3,624,795
Depreciation/Amortization	34,104	9,941	46,560	1,676	92,281	10,806	3,305	106,392
Total Expenses	\$1,193,684	\$347,939	\$1,629,648	\$58,652	\$3,229,923	\$385,586	\$115,678	\$3,731,187

The accompanying Notes are an integral part of this statement.

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

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 251,374	\$ 617,295
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation/amortization	121,172	106,392
Unrealized <gain> loss on investments	-	-
Loan costs amortization	503	504
<Increase> decrease in operating assets:		
Accounts receivable - other	<2,681>	-
Grants and contracts receivable	<203,177>	<257,962>
Inventory	-	2,338
Prepaid expenses	<87,135>	<31,195>
Increase <decrease> in operating liabilities:		
Accounts payable	63,316	<16,087>
Other liabilities	<1,314>	1,674
Accrued expenses	<u>38,933</u>	<u>12,648</u>
Net Cash Provided from Operating Activities	<u>180,991</u>	<u>435,607</u>
Cash Flows to Investing Activities		
Sale of assets	-	-
Purchase of investments	<418,196>	<766,126>
Sale of investments	400,626	535,022
Payments for property, building and equipment	<364,753>	<158,919>
Net Cash used for Investing Activities	<u><382,323></u>	<u><390,023></u>
Cash Flows to Financing Activities		
Payments on debt	<58,968>	<64,931>
Net Cash to Financing Activities	<u><58,968></u>	<u><64,931></u>
Net Change in Cash and Cash Equivalents	<260,300>	<19,347>
Beginning Cash and Cash Equivalents	<u>455,304</u>	<u>474,651</u>
Ending Cash and Cash Equivalents	\$ <u>195,004</u>	\$ <u>455,304</u>
Cash	\$ 155,831	\$ 413,804
Restricted cash	<u>39,173</u>	<u>41,500</u>
	\$ <u>195,004</u>	\$ <u>455,304</u>
Supplemental Information - Interest	\$ <u>7,909</u>	\$ <u>7,689</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, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES

Since 1969, House of Hope has provided hope and healing to men and women who suffer from substance abuse and/or occurring behavioral health disorders, in both a residential and outpatient setting. It is our mission to help individuals in South Florida recovering from addictive disorders and mental illness, return to the community with a comprehensive body of knowledge that allows them to maintain stable employment, develop personal responsibility, build family relationships and develop a support system utilizing 12 step programs. Our goal is to return our residents to the community as stable, productive and self-supporting. The Organization is supported primarily through grants, and donor contributions.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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 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 \$750,000 and is not required to have an audit of federal funds in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 for each applicable contract for the year.

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018

NOTE B SIGNIFICANT ACCOUNTING POLICIES – continued

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, “*Presentation of Financial Statements of Not-for-Profit Entities*” (Topic 958). This is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature either in the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of qualitative and quantitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operating operations and are not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor/grantor imposed, time and/or purpose restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restrictions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 restrictions.

See Note J for more information on the composition of net assets with donor restrictions

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE B SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Contributions

The Organization accounts for contributions including unconditional promises to give as revenues in the period when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of the future cash flows. The discount on those amounts are computed using risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Grants

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/Support

Donated services/support (in-kind donations) are recognized as contributions 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 \$ 7,567 and \$161,056 for the years ended June 30, 2019 and 2018 respectively. The major contributed services in 2018 include doctors, medical personnel, prescriptions, and medical supplies (under the healthcare for the homeless program) these are recorded as professional medical services on the statement of activities, and professional medical services on the statement of functional expenses. These services were donated by Broward Health.

House of Hope, Inc. received the following contributed services for the year ending June 30, with the support recorded as in-kind donations in the statement of activities and the offsetting expenses in the statement of functional expenses.

	<u>2019</u>	<u>2018</u>
Expenses:		
Professional medical services	\$ -	\$133,000
Program	3,240	4,145
Food	-	16,528
Interest imputed (Note F)	4,327	7,383
	<u>\$ 7,567</u>	<u>\$161,056</u>

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.

HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018

NOTE B - SIGNIFICANT ACCOUNTING POLICIES – continued

Fair Value Measurement

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. 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, 2019 or 2018; therefore, no adjustment was made to the Organization's financial statements.

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.

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 net assets with donor restrictions to net assets without donor restrictions 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.

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.

Inventory

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

Allowance for Doubtful Accounts

Management periodically reviews the grants and contracts receivable balance and provides an allowance for accounts which may be uncollectable. As of June 30, 2019 and 2018, management considered the grants and contracts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include food and supplies, program supplies, medical and professional medical services are allocated by the number of clients, computer, insurance, interest, license/fees/dues, postage, professional fees, repairs and maintenance, seminars/training, telephone, utilities, equipment rental, transportation/travel/meetings, employee recruitment, and depreciation are allocated by the number of employees in the cost center, payroll and related expenses are allocated on a basis of estimates of time and effort.

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, 2019 or 2018.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through December 12, 2019, the date which the financial statements were available to be issued.

NOTE C - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 80,505	\$ 80,505
Buildings	3,052,187	2,740,626
Furniture and equipment	293,967	263,275
Transportation vehicles	<u>115,342</u>	<u>118,301</u>
	3,542,001	3,202,707
Accumulated depreciation	<u><2,524,628></u>	<u><2,428,915></u>
	<u>\$1,017,373</u>	<u>\$ 773,792</u>

Depreciation expense was \$121,172 and \$106,392 for the years ending June 30, 2019 and 2018, respectively. Some of the Organization's land and buildings are pledged as collateral.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE D - SUMMARY OF GRANTS/CONTRACTS FUNDING - 2019

House of Hope, Inc. was primarily funded through the following grants and contracts for the period July 1, 2018, to June 30, 2019:

<u>Federal State Agency Pass-through Entity</u>	<u>CFDA/CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
FEDERAL AGENCY			
United States Department of Health and Human Services Pass-through State of FL Department of Children and Families Mental Health Substance Abuse	93.958 93.959	34358 34358	\$ 42,597 402,113
United States Department of Health and Human Services Pass-through State of FL Department of Children and Families Opioid Response	93.788	34358	<u>151,202</u>
Total Expenditure of Federal Awards			<u>595,912</u>
STATE AGENCY NAME			
State of Florida Department of Children and Families Mental Health Substance Abuse	60.131	34358	<u>1,871,703</u>
Pass-through State of FL State of Florida Department of Correction Substance Abuse Services	70.016		
Residential Secure Program		C2653	329,630
Residential Non-Secure Program		C2815	<u>778,485</u>
			<u>1,108,115</u>
Total State Financial Assistance			<u>2,979,818</u>
Broward County Match Funds			<u>246,164</u>
Total Grants and Contracts			<u>\$3,821,894</u>

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE D - SUMMARY OF GRANTS/CONTRACTS FUNDING – continued 2018

House of Hope, Inc. was primarily funded through the following grants and contracts for the period July 1, 2017, to June 30, 2018:

<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	34358	\$ 29,126
Pass-through State of FL	93.959	34358	<u>774,654</u>
Total Expenditure of Federal Awards			<u>803,780</u>
STATE AGENCY NAME			
State of Florida Department of Children and Families Mental Health Substance Abuse	60.131	34358	<u>1,286,808</u>
Pass-through State of FL State of Florida Department of Correction Substance Abuse Services	70.016		
Residential Secure Program		C2653	554,537
Residential Non-Secure Program		C2815	<u>906,513</u>
			<u>1,461,050</u>
Total State Financial Assistance			<u>2,747,858</u>
Broward County Match Funds			<u>175,553</u>
Total Grants and Contracts			<u>\$3,727,191</u>

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE E – DEBT

	<u>2019</u>	<u>2018</u>
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.	\$171,702	\$201,456
City of Fort Lauderdale, in 1999 entered a 20 year loan – ten years no payment, zero interest, payments commenced November, 2011. Mortgage collateral, real estate. (See Note F)	53,861	70,576
Business loans – three loans for vehicles purchases entered into June 2014 – four year 4.15 percent with combined monthly payments of \$1,159.	-	<u>12,499</u>
Total debt	<u>\$225,563</u>	<u>\$284,531</u>

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

2020	\$ 58,085
2021	53,791
2022	36,553
2023	34,227
2024	35,674
2025	<u>7,233</u>
	<u>\$225,563</u>

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 \$4,327 and \$7,383 for the years ended June 30, 2019, and 2018.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE G – CONTINGENCIES/COMMITMENTS

Substantial Support

For the year ending June 30, 2019, and 2018, 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.

Operating Leases

The Organization had entered into an operating lease for office equipment. Rental expense on this operating lease was \$21,174 and \$23,460 for 2019, and 2018, respectively. There were no operating leases in effect as of June 30, 2019.

Purchases and Construction Contracts

As of June 30, 2019, the House of Hope, Inc., had entered into the following contracts:

	<u>Contract Amount</u>	<u>Paid through June 30, 2019</u>	<u>Remaining Commitment</u>
Bathroom renovation	85,000	32,800	52,200
Replacement of windows	<u>48,323</u>	<u>37,900</u>	<u>10,423</u>
	<u>\$133,323</u>	<u>\$ 70,700</u>	<u>\$ 62,623</u>

NOTE H- INSURANCE

The following is a summary of insurance coverage in effect at June 30, 2019:

- Crime - \$100,000
- Business Interruption – \$308,000
- Property \$4,478,293
- Flood - \$1,913,000
- Umbrella - \$3,000,000
- Auto - \$1,000,000
- Workers Compensation - \$2,000,000

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE I - INVESTMENTS - OTHER

The House has invested in certificates of deposit. The certificates may incur penalties for early withdrawal of funds. It is the intent of the House is to hold the investments until maturity. Interest ranges from 1.45 to 2.47 percent over twelve to fifteen months. The following is a summary of those investments valued as of June 30:

Certificates of deposit:	<u>2019</u>	<u>2018</u>	
Fifteen months	\$174,755	\$167,751	
Twelve months	<u>608,941</u>	<u>598,375</u>	
	<u>\$783,696</u>	<u>\$766,126</u>	

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Contributions, which are restricted by the donor, are reported as increases in net assets without donor restrictions if the restriction expires in the same year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net assets with donor restrictions are as follows:

	<u>Beginning Balance 6/30/2018</u>	<u>Contribution</u>	<u>Restriction Satisfied</u>	<u>Ending Balance 6/30/2019</u>
Road to independence	\$ -	\$100,000	\$ 58,333	\$ 41,667
Vocational training	-	<u>10,000</u>	-	<u>10,000</u>
	<u>\$ -</u>	<u>\$110,000</u>	<u>\$ 58,333</u>	<u>\$ 51,667</u>

NOTE K – RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 presentation.

NOTE L – EMPLOYEE RETIREMENT PLAN

The Organization started a matching retirement plan as of January 1, 2019 covering all employees meeting age and service requirements. Participants may contribute a percentage of their salary on a pre-tax basis subject to limitations determined by the Internal Revenue Code. The Organization contribution was \$9,130 for June 30, 2019, respectively. Amounts are remitted at the same frequency as payroll is paid.

**HOUSE OF HOPE, INC.
NOTES TO FINANCIAL STATEMENTS AND
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
June 30, 2019 and 2018**

NOTE M – LIQUIDITY AND AVAILABILITY OF RESOURCES

The House of Hope, Inc., maintains a policy of operating within a prudent range of financial soundness and stability, structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and operating within the annual approved budget. To achieve this, the Organization forecasts its future cash flows and monitors its liquidity on a monthly basis. The House of Hope, Inc.'s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 155,831	\$ 413,804
Investments	783,696	766,126
Grant and accounts receivable	<u>795,406</u>	<u>589,548</u>
Total financial assets available within one year	1,734,933	1,769,478
Less:		
Restricted by donors with purpose/ time restrictions	<u>51,667</u>	<u>-</u>
Total financial assets available to management within one year	<u>\$1,683,266</u>	<u>\$1,769,478</u>

HOUSE OF HOPE, INC.
SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2019

<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, pass through Broward Behavior Health Coalition Mental Health Substance Abuse Facility				
	60.131	34358	\$1,871,703*	-
State of Florida:				
Department of Correction:				
Substance Abuse Services				
Residential Secure Program	70.016	C2653	329,630*	
Residential Non-Secure Program		C2815	<u>778,485*</u>	
			<u>1,108,115</u>	<u>-</u>
Total Expenditure of State Financial Assistance			<u>\$2,979,818</u>	<u>-</u>

* Denotes major programs/projects

The matching requirements for the State of Florida Department of Children and Families contract were met for the year ending June 30, 2019.

See accompanying notes are in integral part of the financial statements.



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

To the Board of 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, 2019, 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 December 12, 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01, 2019-02 that we consider to be significant deficiencies.

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*.

House of Hope Inc.'s Response to Findings

House of Hope Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. House of Hope Inc., response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
December 12, 2019



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**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, 2019. 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, 2019.

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
December 12, 2019

HOUSE OF HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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? Xyes ___none 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*? Xyes ___no

Identification of Major State Financial Assistance Projects:

Florida Department of Children and Families Mental Health Substance Abuse Facility	CSFA No. 60.131	<u>\$1,871,703</u>
Florida Department of Correction Substance Abuse Services	CSFA No. 70.016	
	Residential Secure Program C2653	329,630
	Residential Non-Secure Program C2815	<u>778,485</u>
		<u>1,108,115</u>
		<u>\$ 2,979,818</u>
Dollar threshold used to distinguish between Type A and Type B programs:		\$ 750,000

HOUSE OF HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
Year Ended June 30, 2019

Section II - Findings - Financial Statement Findings

(A) Internal Control Findings
2019-01 2019-02

(B) Compliance Findings
No matters were reported.

Internal Control Findings
2019-01

State of Florida Department of Children and Families
Mental Health Substance Abuse Facility CFSA 6.131
Contract 34358 Year Ended June 30, 2019

Condition and Criteria; A new controller was hired in January 2019, who was not a good fit for this position. During his short tenure with the organization some of his work was inaccurate and did not adhere to all procedures.

Effect; Bank reconciliations had to be completed after year end, allocations of allowable costs were made after year end. Payroll was reposted to correct accounts and allocations.

Cause; Written procedures in place to ensure approvals, allowable costs, and proper program charges and proper use of credit cards were not followed.

Context;
Credit cards were paid in advance of supporting documentation being approved by lump sum payments.

A loan from the City with required monthly payments was not paid for the last four months of the year.

Bank reconciliation were not properly prepared and approved for the last six months of the year. Direct ACH debits, for six months were not recorded until after year end.

Cost allocations to programs were not made for six months, these were posted after year end.

Certain invoices paid were not properly approved as required. Invoices were paid by bank transfer from the money market account and not the operating account as is normal.

Large transfers between accounts were made without proper approval.

Auditors Recommendation; Managers must ensure that all staff are trained and written procedures must be followed.

Views of Responsible Official and Planned Corrective Action; Letter from the House of Hope accompanies this report.

HOUSE OF HOPE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-Continued
Year Ended June 30, 2019

Internal Control Findings
2019-02

State of Florida Department of Corrections
Mental Health Substance Abuse Facility CFSA 6.131
Contract 34358 Year Ended June 30, 2019

Condition and Criteria; A new controller was hired in January 2019, who was not a good fit for this position. During his short tenure with the organization some of his work was inaccurate and did not adhere to all procedures.

Effect; Bank reconciliations had to be completed after year end, allocations of allowable costs were made after year end. Payroll was reposted to correct accounts and allocations.

Cause; Written procedures in place to ensure approvals, allowable costs, and proper program charges and proper use of credit cards were not followed.

Context;
Credit cards were paid in advance of supporting documentation being approved by lump sum payments.

A loan from the City with required monthly payments was not paid for the last four months of the year.

Bank reconciliation were not properly prepared and approved for the last six months of the year. Direct ACH debits, for six months were not recorded until after year end.

Cost allocations to programs were not made for six months, these were posted after year end.

Certain invoices paid were not properly approved as required. Invoices were paid by bank transfer from the money market account and not the operating account as is normal.

Large transfers between accounts were made without proper approval.

Auditors Recommendation; Managers must ensure that all staff are trained and written procedures must be followed.

Views of Responsible Official and Planned Corrective Action; Letter from the House of Hope accompanies this report.

Section III – State Projects Findings and Questioned Costs
No matters were reported.

Section IV – Other Reporting

Views of Responsible Official and Planned Corrective Action; Letter from the House of Hope accompanies this report.

HOUSE OF HOPE, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2019

Prior audit findings None



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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, 2019, and have issued our report there on dated December 12, 2019.

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 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) and 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 an Audit of the Financial Statements Performed in Accordance *Government Auditing Standards*, Independent Auditors Report on Compliance for Each Major Federal Program and State Project and report on Internal Control over Compliance in accordance with the Uniform Guidance, and Chapter 10.650, Rules of the Florida Auditor General.

Additional Matters

Section 10.654 (1) (e), Rules of the Auditor General, require that we address noncompliance with the provisions of contracts or 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. We had the following finding:

A contractor used for major renovations was paid through his incorporated business and at times to the individual owner. An individual should never be paid when the work was engaged through his business.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, Florida Auditor General, Grantors, Board of Trustees and management and is not intended and should not be used by anyone other than these specified parties.

Sullivan & Fengler CPA

Sullivan & Fengler
Fort Lauderdale, Florida
December 12, 2019

**SUPPLEMENTAL INFORMATION
REQUIRED BY GRANTOR
(Unaudited)**

HOUSE OF HOPE, INC.
Schedule of State Earnings
For the Year Ended June 30, 2019

(Unaudited)

July 1, 2018 to June 30, 2019

Total Expenditures	\$ 3,925,522
Less Other State and Federal Funds	<1,108,115>
Less Non-Match SAMH Funds	<1,519,458>
Less Unallowable Costs Per 65E-14, F.A.C.	<u> -</u>
Total Allowed Expenditures	<u>1,297,949</u>
Maximum available State Earnings	<u>973,462</u>
Amount of State Funds Requiring match	<u>406,486</u>
Amount Due to the Department	\$ <u><u> -</u></u>

Nothing came to our attention during the audit of the financial statements of the House of Hope, Inc. for the year ended June 30, 2019 that materially affects these calculations.

See Accountants Report.

HOUSE OF HOPE, INC.
Schedule of Related Party Transaction Adjustments
For the Fiscal Year Ending June 30, 2019
(Unaudited)

There were no related party transactions for the year ended June 30, 2019.

See Accountants Report.



The greatest gift in life is a second chance!

House of Hope employed an accountant from mid-January 2019 through June 2019, who was a poor fit for this position

Following his departure, we worked diligently to address all issues identified, which included correcting inaccurate bank reconciliations, class allocations and postings.

The refence to large sums of money being moved, which were between House of Hope accounts, was related to payroll.

While this short-term employee negatively impacted our financial records for the second half of the year, there is no evidence of theft or any wrongdoing.

Corrective action:

- All inaccurate postings, reconciliations, class allocations and back payments has been corrected.
- A training plan has been developed with input from the auditor to ensure adequate training in allowable/unallowable expenses and nonprofit accounting.
- With our new accountant we have reviewed policies and procedures to update and alter as needed. Staff refresher training will take place starting in December 2019.
- All written procedures are being closely followed according to company policies.

Sue Glasscock, CEO