

Place of Hope, Inc.

Financial Statements
and Additional Information
For the Year Ended December 31, 2019

Keefe
McCullough
CPA's + Trusted Advisors

Place of Hope, Inc.

Table of Contents

Independent Auditor’s Report	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-19
Supplemental Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance	20-23
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	24
Internal Controls and Compliance	
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 <i>Government Auditing Standards</i>	25-26
Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, <i>Rules of the Florida Auditor General</i>	27-28
Schedule of Findings and Questioned Costs	29-30

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Place of Hope, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Place of Hope, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 Organization'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 Organization'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 qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 14 to the financial statements, the Organization's financial statements do not include the accounts of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, which are related parties to the Organization. The related parties and the Organization have been identified by management as meeting the requirements for the presentation of combined financial statements as required by accounting principles generally accepted in the United States of America; however, these financial statements are not presented on a combined basis. In our opinion, the Organization's financial statements should include the accounts of these related parties to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, and the changes in its net assets and its cash flows for the year 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 of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Place of Hope, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 26, 2020

FINANCIAL STATEMENTS

**Keefe
McCullough**
CPA's + Trusted Advisors

Place of Hope, Inc.
Statement of Financial Position
December 31, 2019

Assets:

Cash and cash equivalents	\$	4,055,962
Investments		7,879,816
Grants and contracts receivable		1,125,619
Prepaid expenses		247,358
Due from related parties		811,238
Property and equipment, net		14,219,014
Deposits		<u>13,786</u>
Total assets	\$	<u><u>28,352,793</u></u>

Liabilities:

Accounts payable	\$	148,020
Accrued expenses		353,003
Line of credit		157,151
Deferred compensation		70,000
Deferred revenue		<u>368,329</u>
Total liabilities		<u>1,096,503</u>

Net Assets:

Without donor restrictions:		
Undesignated		20,961,990
Designated		3,296,455
With donor restrictions:		
Purpose restrictions		<u>2,997,845</u>
Total net assets		<u>27,256,290</u>
Total liabilities and net assets	\$	<u><u>28,352,793</u></u>

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

Place of Hope, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Contributions	\$ 6,449,678	\$ 2,623,932	\$ 9,073,610
Grants and contracts	4,783,226	-	4,783,226
Other operating revenue	5,922	-	5,922
Donated goods and services	257,554	-	257,554
	<u>11,496,380</u>	<u>2,623,932</u>	<u>14,120,312</u>
Total public support and revenues			
Net assets released from restrictions	<u>1,429,046</u>	<u>(1,429,046)</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>12,925,426</u>	<u>1,194,886</u>	<u>14,120,312</u>
Expenses:			
Program services	<u>7,481,520</u>	<u>-</u>	<u>7,481,520</u>
Supporting services:			
Fundraising	1,225,132	-	1,225,132
Management and general	429,503	-	429,503
	<u>1,654,635</u>	<u>-</u>	<u>1,654,635</u>
Total supporting services			
Total expenses	<u>9,136,155</u>	<u>-</u>	<u>9,136,155</u>
Net operating revenue	<u>3,789,271</u>	<u>1,194,886</u>	<u>4,984,157</u>
Nonoperating revenues:			
Net realized and unrealized gain on investments	1,169,107	-	1,169,107
Interest and dividend income, net	165,597	1,550	167,147
Gain on disposal of property and equipment	2,000	-	2,000
	<u>1,336,704</u>	<u>1,550</u>	<u>1,338,254</u>
Total nonoperating revenues			
Change in net assets	5,125,975	1,196,436	6,322,411
Net Assets, beginning of year	<u>19,132,470</u>	<u>1,801,409</u>	<u>20,933,879</u>
Net Assets, end of year	<u>\$ 24,258,445</u>	<u>\$ 2,997,845</u>	<u>\$ 27,256,290</u>

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

Place of Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Costs:				
Salaries	\$ 3,116,765	\$ 150,205	\$ 488,168	\$ 3,755,138
Employee benefits and payroll taxes	547,066	25,992	82,721	655,779
Total personnel costs	<u>3,663,831</u>	<u>176,197</u>	<u>570,889</u>	<u>4,410,917</u>
Other Expenses:				
Event and activity expenses	351,245	39,027	585,408	975,680
Support to related party	486,804	-	-	486,804
Provision for depreciation	435,441	38,706	9,676	483,823
Residents support	347,401	-	-	347,401
Insurance	325,818	8,958	7,437	342,213
Outreach	285,362	-	-	285,362
Repairs and maintenance	273,820	5,505	-	279,325
Utilities	270,858	5,528	-	276,386
In-kind donations	257,554	-	-	257,554
Office supplies and other	165,175	28,089	22,619	215,883
Professional fees	151,775	25,845	3,015	180,635
Bank charges and fees	71,502	71,502	-	143,004
Printing and reproduction	97,651	-	21,435	119,086
Promotional expenses	92,175	16,406	1,315	109,896
Travel (program advancement)	80,124	-	3,338	83,462
Regulatory compliance	35,712	-	-	35,712
Licenses, permits, and taxes	29,402	-	-	29,402
Dues and subscriptions	13,741	13,740	-	27,481
Telephone	18,330	-	-	18,330
Training and development	17,558	-	-	17,558
Miscellaneous expenses	8,090	-	-	8,090
Interest	2,151	-	-	2,151
Total other expenses	<u>3,817,689</u>	<u>253,306</u>	<u>654,243</u>	<u>4,725,238</u>
Total expenses	<u>\$ 7,481,520</u>	<u>\$ 429,503</u>	<u>\$ 1,225,132</u>	<u>\$ 9,136,155</u>

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

Place of Hope, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:

Change in net assets	\$ 6,322,411
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	483,823
Net realized and unrealized (gains) losses on investments	(1,169,107)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grants and contracts receivable	(640,436)
Prepaid expenses	(113,179)
Due from related parties	253,432
Increase (decrease) in liabilities:	
Accounts payable	(48,757)
Accrued expenses	(11,998)
Deferred compensation	10,000
Due to related parties	(65,585)
Deferred revenue	49,033
	<hr/>
Net cash provided by (used in) operating activities	5,069,637

Cash Flows from Investing Activities:

Proceeds from sales and purchases of investments, net	(644,470)
Purchases of property and equipment	(3,231,228)
	<hr/>
Net cash provided by (used in) investing activities	(3,875,698)

Cash Flows from Financing Activities:

Proceeds from line of credit	157,151
	<hr/>
Net cash provided by (used in) financing activities	157,151

Net increase (decrease) in cash and cash equivalents 1,351,090

Cash and Cash Equivalents, beginning of year

2,704,872

Cash and Cash Equivalents, end of year \$ 4,055,962

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

Note 1 - Organization and Operations

Place of Hope, Inc. (the "Organization") is a not-for-profit, tax exempt, unique faith-based state-licensed child welfare organization providing family-style foster care (emergency and long-term), family outreach and intervention, transitional housing and support services, adoption and foster care recruitment and support, a maternity home, hope and healing opportunities for children and families who have been traumatized by abuse and neglect throughout our region. Management believes that the Organization has both met and exceeded most performance standards by which licensed child welfare organizations are judged.

The main campus and outreach complex is located on a ten-acre gated campus in Palm Beach Gardens, Florida. Through a model approach and commitment, the Organization is dedicated to providing stable, loving, and nurturing environments and support for foster children and their family members while in state custody, following family reunification, pre-adoptive placement, and post-emancipation from care. The Organization strives to foster and support healthy and productive lives, free of fear, endangerment, and, most of all, abuse. Children and families can find dignity, guidance, and hope through various programs and efforts at Place of Hope - *Placing Hope in a Child's Future*.

The Organization contracts with ChildNet, Inc. and Communities Connected for Kids, Inc., through the State of Florida Department of Children and Families, to provide residential group care, a maternity home, emergency shelter and adoption/foster care services; and plans to pursue other federal, state, and social service agency grants and contracts. The main campus consists of six licensed family cottages (group homes); a licensed emergency cottage; an administration/community outreach center building; a health and wellness center; and a respite home for the cottage parents.

- The Organization serves up to thirty-six (36) children daily in six (6) "Family Cottages" with the Enhanced Residential Care Model. These children are given a safe and stable placement, therapeutic services, professional case management and the chance to just be kids in a structured, traditional family setting.
- The Organization partners with KidSanctuary Campus, Inc. ("Kid"), a Florida not-for-profit organization, to provide services at a remote location for up to eighteen (18) additional children using the Enhanced Residential Care Model previously discussed.
- The Seven Stars Cottage, Palm Beach County's first and only faith-based, family-style emergency shelter, opened to care for up to eight (8) boys, ages six to eighteen, during crisis situations, immediately following removal from their homes by the authorities.
- Joann's Cottage (Maternity Home), a shelter located at the campus of Village of Hope of Palm Beach County, Inc. (Note 9), includes up to ten (10) private rooms to be used as a maternity home for mothers and is currently licensed for up to twelve (12) individuals.
- Homes of Hope (traditional foster care) is approved as a licensed child placing and adoption agency by the State of Florida Department of Children and Families. The Organization is able to recruit, train, and support potential foster and adoptive parents and see the children through the placement process.

Note 1 - Organization and Operations (continued)

- The Organization provides an enrichment and transition to independence program, a series of counseling and programs through which the children work through trauma; explore life and career opportunities; participate in nutrition, fitness, budgeting, parenting, interviewing, and more classes; and establish mentors as they “age out” of foster care.
- The Organization also provides human trafficking prevention, education and recovery services by providing prevention and awareness education to the community and partners with others to prevent at-risk children and youth from being trafficked. This program trains the community on what to look for and how to help. Recovery services are provided for victims throughout all programs. These services include professional case management, quality medical care, counseling, therapy, tutoring, mentoring, life-skills development, hope and healing opportunities.

The Organization partners with its affiliate organizations Village of Hope of Palm Beach County, Inc. (“Village”), Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises (“Treasures”), and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus (“Haven”) (Notes 9 and 14). Village, a not-for-profit entity incorporated in 2006, provides a residential campus which may serve up to eighteen (18) young adults on a daily basis who have “aged out” (eighteen years old) of the foster care system or who are otherwise found homeless. Treasures, a not-for-profit entity incorporated in 2012, operates a charity store which sells second-hand items, to support the activities of the Organization and Village. Haven, a not-for-profit entity incorporated in 2013, previously provided family-style residential foster care for sibling groups and other special needs youth in foster care, residential programs for those who have “aged out”, as well as other related services, in the South Palm Beach County area. Effective January 1, 2019, Haven’s program services ceased and are now offered by the Organization and Village.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting: The Organization uses the accrual basis of accounting for financial reporting purposes, which is in accordance with generally accepted accounting principles.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Update (FASB ASU) 2016-14 Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. Under FASB ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 - consist of net assets for use in general operations and not subject to donor (or certain grantor) restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets with Donor Restrictions - represent net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. We report 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 reporting period in which the revenue is 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 and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents: The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments: Investments primarily include equity securities, fixed income securities, and mutual funds. Investments are stated at their estimated fair value. Unrealized gains and losses in fair value are recognized.

Promises to give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of December 31, 2019.

Allowance for doubtful accounts: Management periodically reviews the grants and contracts receivable balance and provides an allowance for accounts which may be uncollectible. At December 31, 2019, 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.

Property and equipment: Property and equipment are carried at cost if purchased or, if donated, at estimated fair value on the date of donation, less accumulated depreciation. The Organization's policy is to provide for depreciation using the straight-line method over the estimated useful life of each type of asset which is as follows:

Building and improvements	7-27.5 years
Land improvements	27.5 years
Furniture, fixtures, and office equipment	3-7 years
Vehicles	5 years
Machinery and equipment	3-7 years

Donations of property and equipment are reported as support without donor restrictions unless the donor has restricted the donated asset for 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 an increase to net assets with donor restrictions. Without donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service, reclassifying net assets with donor restrictions to net assets without donor restrictions at that time.

Note 2 - Summary of Significant Accounting Policies (continued)

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

Deferred revenue: Grants and contracts revenue that is not recognized because the allowable costs as defined by the individual grant or contract have not been incurred and/or the unit of service has not been provided is considered deferred revenue. In addition, revenues from special events that are considered exchange transactions are deferred until the special event takes place.

Grants and contracts revenue: Grants and contracts revenue are recognized when the allowable costs as defined by the individual grant or contract are incurred and/or the unit of service has been provided. Grants and contracts receivable at year end represent expenditures and/or units of service provided, which have not yet been reimbursed by the granting agency.

Revenue recognition: The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization recognizes revenue from donated goods at their estimated fair values at the date of donation. Donated services are recognized if (1) the services received create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional expenses: The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses as well as other estimates provided by management.

Joint costs of fundraising appeals: The Organization utilizes various pamphlets, brochures and informational methods to inform the general public of their activities and to solicit funds. These costs are charged to fundraising.

Concentration of credit risk: Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents, and investments. The concentration of credit risk with respect to receivables is primarily due to the economic dependency in federal, state, and other agencies and the ability to obtain authorization, process and collect balances timely. The Organization does not require collateral or other security to support receivables. The Organization has cash in financial institutions that is insured by the Federal Deposit Insurance Corporation ("FDIC"). At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. Investments are held in brokerage accounts protected by the Securities Investor Protection Corporation ("SIPC") in the event of broker-dealer failure, the Organization has up to \$ 500,000 of protection for each brokerage account. The SIPC insurance does not protect against market losses on investments. Deposit and investment accounts are maintained with what management believes to be quality financial institutions.

Note 2 - Summary of Significant Accounting Policies (continued)

Income taxes: The Organization qualifies as a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), with the exception of any unrelated business income. Management has evaluated the unrelated business income tax implications and believes that the effects, if any, are immaterial to the Organization's financial statements. Accordingly, no provision for income taxes has been made to these financial statements.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of management's review: Management has evaluated subsequent events through June 26, 2020 which is the date the financial statements were available for issuance.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets:		
Cash and cash equivalents	\$	4,055,962
Investments		7,879,816
Grant and contracts receivable		1,125,619
Due from related parties		<u>811,238</u>
Financial assets at year-end		13,872,635
Less:		
Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure		(2,997,845)
Board designated endowments, primarily for long-term investing		<u>(3,296,455)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	\$	<u><u>7,578,335</u></u>

From time-to-time the board may approve the utilization of board designated funds for general operations, based on the needs of the Organization.

In the event of an unanticipated liquidity need, the Organization could draw upon its available lines of credit (Note 7).

Note 4 - Grants and Contracts

Funding agreements for services to be provided are generally entered into on an annual basis. The release of funds is subject to monies made available by the federal government, State of Florida, and certain other grantor agencies. These agreements may generally be terminated by either party upon thirty to ninety days written notice; however, such an event would be unlikely if contract performance continues to be satisfactory.

Program expenditures made by the Organization are subject to additional audit by grantor agencies. As a result of such audits, the grantor may require that amounts be returned. In certain instances, the grantor may increase its grant of funds to the Organization to offset amounts which would otherwise be repayable based on audits.

Note 5 - Investments

The Organization follows the Statement of Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 820, *Fair Value Measurements and Disclosures* for fair value measurements of investments that are recognized and disclosed at fair value in the financial statements on a recurring basis. FASB ASC No. 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly (e.g. quoted prices in active markets for similar securities, valuations based on commonly quoted benchmarks, interest rates and yield curves, and/or securities indices).
- Level 3 inputs are unobservable inputs for the investments (e.g. information about assumptions, including risk, market participants would use in pricing a security).

The level in the fair value hierarchy within which a fair measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

The following table represents the investments as held by the Organization at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and other mutual funds	\$ 2,647,505	\$ -	\$ -	\$ 2,647,505
Common stocks	2,456,475	-	-	2,456,475
Fixed income mutual funds	1,482,160	105,170	-	1,587,330
International equity funds	633,652	-	-	633,652
Other mutual funds:				
Alternatives-hedge funds	395,858	-	-	395,858
Community Foundation fund	-	158,996	-	158,996
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>7,615,650</u>	\$ <u>264,166</u>	\$ <u>-</u>	\$ <u>7,879,816</u>

Note 5 - Investments (continued)

Investment income relative to these investments and others held and sold during the year is comprised of:

Interest and dividend income, net	\$ 167,147
Net realized/unrealized gains (losses)	<u>1,169,107</u>
	<u>\$ 1,336,254</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Buildings and improvements	\$ 8,679,147
Land improvements	1,313,562
Furniture, fixtures, and office equipment	533,811
Vehicles	434,500
Machinery and equipment	<u>344,275</u>
	11,305,295
Less: accumulated depreciation	<u>4,343,169</u>
	6,962,126
Land	2,354,356
Construction in progress	<u>4,902,532</u>
	<u>\$ 14,219,014</u>

Certain grant and contract revenue has been awarded to the Organization for the purpose of improving existing real estate. The grantor retains a security interest in the subject property. If the improved real estate is no longer used for its intended purpose, the Organization must obtain approval from the grantor agencies to use this property for other lawful purposes within the prescribed time-frame.

Construction commitments: The Organization previously entered into agreements with various contractors to construct two outreach centers. The contracted price amounted to approximately \$ 8,134,000 of which approximately \$ 3,861,000 had been spent as of December 31, 2019.

Note 7 – Lines of Credit

The Organization has a \$ 1,345,000 revolving line of credit from a bank due on demand. The line of credit bears a variable interest rate based on the 30 day London Interbank Offered Rate (3.263% at December 31, 2019). The line of credit is collateralized by certain assets of the Organization. The outstanding balance on this line of credit at December 31, 2019 was approximately \$ 157,000.

The Organization has a \$ 500,000 revolving line of credit from a bank expiring June 2021. The line of credit bears a variable interest rate of the Prime Rate less 1.25% (3.50% at December 31, 2019). The line of credit is collateralized by certain assets of the Organization. The Organization did not have an outstanding balance on this line of credit at December 31, 2019.

Note 8 - Donated Goods and Services

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as revenue and as an expense, or as property and equipment, depending on the nature of the services provided. For the year ended December 31, 2019, the Organization recorded as a revenue and as an expense \$ 257,554, of which the full amount is related to program services. In addition, as discussed in Note 15, the Organization recorded \$ 159,000 for donated revenue and expense related to leases.

Note 9 - Related Party Transactions (Note 1)

The Organization is related to Village through common board members and management. The Organization also provides support in the form of donated services and contributions for the general operations of Village. The Organization provided in-kind services of approximately \$ 47,800 and contributed \$ 270,800 to Village during the year ended December 31, 2019. In addition, as of December 31, 2019, the Organization had an amount due from Village of \$ 31,908, related to expense reimbursements. This amount bears no interest and there is no established repayment schedule.

The Organization is related to Treasures through common board members and management. The Organization also provides support in the form of donated services for the general operations of Treasures. The Organization provided in-kind services of approximately \$ 134,000 to Treasures during the year ended December 31, 2019. In addition, as of December 31, 2019, the Organization had an amount due from Treasures of \$ 557,230, for expense reimbursements. This amount bears no interest and there is no established repayment schedule. Furthermore, the Organization is the guarantor of a real estate mortgage note payable by Treasures. At December 31, 2019, the balance of the real estate mortgage note payable was approximately \$ 535,000. The estimated future payments related to this mortgage are approximately \$ 588,000, including interest of approximately \$ 53,000, at a fixed interest rate of 4.50%. The mortgage note payable matures in June 2022.

The Organization is related to Haven through common board members and management. The Organization also provides support in the form of donated services and contributions for the general operations of Haven. The Organization contributed approximately \$ 486,800 for the general support of Haven during the year ended December 31, 2019. The Organization received grant funding from the State of Florida Department of Children and Families that was passed through from Haven amounting to \$ 250,000 during the year ended December 31, 2019. In addition, as of December 31, 2019, the Organization had an amount due from Haven amounting to \$ 222,100 for expense reimbursements. This amount bears no interest and there is no established repayment schedule. In addition, as discussed in Note 15, the Organization recorded in-kind revenue and expense relating to the use of Haven's facilities.

During the year, the Organization received contributions totaling approximately \$ 157,000 from Palm Beach Gardens Christ Fellowship Church, Inc. ("Christ Fellowship"). The Organization and Christ Fellowship are related through certain common board members. In addition, the Organization received contributions totaling approximately \$ 972,000 from various members ("members") of the Board of Directors and its members related entities.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes:

Subject to expenditure for specified purpose:

Construction	\$ 1,996,295
Student scholarships	<u>1,001,550</u>
Total	<u>\$ 2,997,845</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows:

Satisfaction of purpose restrictions:

Construction	\$ <u>1,429,046</u>
--------------	---------------------

Note 11 - Designated Unrestricted Net Assets

As of December 31, 2019, the Board of Directors had designated \$ 3,296,455 for endowments to support the future operations of the Organization.

The Organization recognizes the following Board designated endowment funds:

Paxson Endowment	\$ 1,001,694
Anna Turri Endowment	617,406
Brett Harris Weinstein Memorial Endowment	592,537
The Stack Family Endowment	500,844
In Memory of Jesus Endowment	360,607
Community Outreach Endowment	123,367
Kazma Endowment	<u>100,000</u>
	<u>\$ 3,296,455</u>

These funds have been invested as follows:

Common stocks	\$ 1,183,378
Fixed income mutual funds	744,108
Equity and other mutual funds	713,363
International equity funds	282,771
Cash and cash equivalents	204,588
Hedge funds	<u>168,247</u>
	<u>\$ 3,296,455</u>

Note 12 - Retirement Plan

The Organization's SIMPLE IRA retirement plan was available to all employees who had worked for the Organization for at least one year and had earned or were expected to earn a specified minimum salary. For the year ended December 31, 2019, the Organization contributed approximately \$ 50,000 to this plan.

On December 31, 2019, the SIMPLE IRA retirement plan was terminated, and current plan participants were given the option to receive a distribution of their balance or rollover into a new 401(k) plan made available by the Organization subsequent to year end.

Note 13 - Deferred Compensation Plan

The Organization previously established a 457(f) non-qualified deferred compensation plan on behalf of its Executive Director. Under the plan, the Executive Director or his designated beneficiary is entitled to receive a single lump sum payment of all benefits upon the Organization's change of control or employee's total and permanent disability or death. Previously, the Organization's Board of Directors had approved total benefits in the aggregate amounting to \$ 60,000. During the year ended December 31, 2019, the Board of Directors voted to contribute \$ 10,000 to this plan, increasing the total benefits to \$ 70,000.

Note 14 - Combination of Related Party Entities (Note 1)

FASB Accounting Standards Codification (ASC) 958-810-25-3 for Not-for-Profit Organizations requires combination of related party financial statements if one of the related parties has (1) control through a majority voting interest, and (2) economic interest. The Organization, Village, Treasures, and Haven are all not-for-profit entities which share common Board members and Officers. Furthermore, the Organization provides general support to these entities in the form of contributions and donated services. Management indicated that, although the criterion for combination was met for the current year, they had chosen not to combine the financial statements for presentation. The Organization determined that if combination had taken place, as required by accounting principles generally accepted in the United States of America, the current year activity would have been affected by the summarized financial information documented in the tables below.

Summarized financial information for Village, as of and for the year ended December 31, 2019, is as follows:

Total assets	\$	2,793,880
Total liabilities		<u>80,148</u>
Total net assets	\$	<u><u>2,713,732</u></u>
Total change in net assets	\$	<u><u>(71,921)</u></u>

Note 14 - Combination of Related Party Entities (Note 1) (continued)

Summarized financial information for Treasures, as of and for the year ended December 31, 2019, is as follows:

Total assets	\$	2,156,513
Total liabilities		<u>1,123,730</u>
Total net assets	\$	<u><u>1,032,783</u></u>
Total change in net assets	\$	<u><u>193,454</u></u>

Summarized financial information for Haven, as of and for the year ended December 31, 2019 is as follows:

Total assets	\$	12,853,568
Total liabilities		<u>305,345</u>
Total net assets	\$	<u><u>12,548,223</u></u>
Total change in net assets	\$	<u><u>2,017,590</u></u>

Reference should be made to Note 9 for details of the current year transactions between the Organization, Village, Treasures, and Haven. Also, reference should be made to the financial statements of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus as to which the independent auditor's reports are dated June 26, 2020.

Note 15 - Lease Agreement

During the year, the Organization entered into a two-year, cancellable lease agreement for office space. In consideration of the lease, the Organization will make annual payments of \$ 1. For the year ended December 31, 2019, the Organization recorded \$ 9,000 of in-kind revenue and expense, related to the lease. The lease expires in May 2020.

Effective January 1, 2019, the Organization began using Haven's facilities to further a significant portion of their program services. In relation to these activities, the Organization recorded \$ 150,000 of in-kind revenue and expense. The Organization is in the process of entering into a formalized agreement with Haven.

Note 16 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, depreciation, promotional expenses, professional fees, and other expenses; which are allocated on the basis of estimates of time and effort, and other methods as determined by management.

Note 17 - Supplemental Cash Flows Information

Cash received during the year for -	
Interest and dividend income, net	\$ <u>167,147</u>

Note 18 - Subsequent Events

Effective January 1, 2020, the Organization now offers a safe harbor 401(k) plan which covers all employees who meet certain age and years of service requirements. Plan participants can contribute annually a percentage of their salary up to the maximum amount as governed by Internal Revenue Code Section 401(k). The Organization will provide for a safe harbor match of all contributions made by participants up to the first 4% of salary deferrals.

On March 11, 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact net income. Other financial impact could occur though such potential impact is unknown at this time.

Through a local financial institution, the Organization was awarded a loan from the U.S. Small Business Administration ("SBA") for approximately \$ 809,000 as part of the Paycheck Protection Program which is designed to provide a direct incentive for small businesses to keep their workers on the payroll. In general, SBA will forgive loans if employees are kept on the Organization's payroll in accordance with the provisions of the Coronavirus Aid, Relief, and Economic Security Act, and the funds are used for payroll, rent, mortgage interest, or utilities. In general, loan payments maybe deferred for a period of six to 10 months. No collateral or personal guarantees are required. This loan has a maturity of two years and a rate of 1%. The Organization has since received funding on this loan.

SUPPLEMENTAL INFORMATION

Place of Hope, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended December 31, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
Federal Agency Name:					
Indirect Programs:					
Department of Health and Human Services - Passed through the State of Florida					
Department of Children and Families Passed through ChildNet, Inc. (POH Contracts), and Communities Connected for Kids, Inc. (CCK Contracts)					
Foster Care-Title IV-E	93.658	POH19RGC	\$ 249,645	\$ 287,860	\$ -
	93.658	POH18RGC	217,944	251,309	-
	93.658	POH19FHM	83,217	131,357	-
	93.658	POH18FHM	61,637	79,764	-
	93.658	POH19MAT	21,777	25,111	-
	93.658	POH18RGC2	17,394	20,057	-
	93.658	CCK233	145,356	167,608	-
		CCK19-317			
	93.658	& CCKK 20-317	73,654	73,066	-
	93.658	CCK231	8,003	9,228	-
	93.658	CCK229	5,692	6,564	-
			884,319	1,051,924	-
Social Services Block Grant	93.667	POH19RGC	175,294	-	-
	93.667	POH18RGC	153,036	-	-
	93.667	POH19MAT	15,292	-	-
	93.667	POH18RGC2	12,214	-	-
	93.667	CCK233	102,066	-	-
	93.667	CCK231	5,619	-	-
	93.667	CCK229	3,997	-	-
			467,518	-	-

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
Federal Agency Name:					
Indirect Programs (continued):					
Temporary Assistance for Needy Families	93.558	POH19FHM	40,533	23,886	-
	93.558	POH18FHM	25,469	15,761	-
	93.558	CCK19-317 & CCKK 20-317	32,323	23,402	-
			<u>98,325</u>	<u>63,049</u>	<u>-</u>
Adoption Assistance	93.659	POH19FHM	21,606	21,606	-
	93.659	POH18FHM	13,710	13,710	-
	93.659	CCK19-317 & CCKK 20-317	18,006	18,006	-
			<u>53,322</u>	<u>53,322</u>	<u>-</u>
Stefanie Tubbs Jones Child Welfare Services Program	93.645	POH19FHM	13,584	4,528	-
	93.645	POH18FHM	9,601	3,200	-
	93.645	CCK19-317 & CCKK 20-317	17,000	5,667	-
			<u>40,185</u>	<u>13,395</u>	<u>-</u>
Promoting Safe and Stable Families	93.556	POH19FHM	1,610	536	-
	93.556	POH18FHM	981	327	-
	93.556	CCK19-317 & CCKK 20-317	1,106	369	-
			<u>3,697</u>	<u>1,232</u>	<u>-</u>

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
Federal Agency Name:					
Indirect Programs (continued):					
Chafee Foster Care Independence Program	93.674	POH18RGC	38,068	9,518	-
	93.674	POH18RGC2	22,513	5,629	-
	93.674	POH19RGC	19,145	4,787	-
			<u>79,726</u>	<u>19,934</u>	<u>-</u>
Department of Housing and Urban Development - Passed through Palm Beach County, Florida Community Development Block Grants/ Entitlement Grants					
	14.218	R2018-1587	11,467	-	-
	14.218	R2019-1525	5,010	-	-
			<u>16,477</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>1,643,569</u>	\$ <u>1,202,856</u>	\$ <u>-</u>
State Agency Name:					
Direct Projects:					
State of Florida Department of Children and Families - Place of Hope Haven Campus					
	60.121	WC030	\$ <u>1,624,333</u>	\$ -	\$ -

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2019

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
State Agency Name (continued):					
Indirect Projects:					
State of Florida Department of Children and Families -					
Passed through the Place of Hope at the Haven Campus, Inc.	60.121	WC056	\$ <u>250,000</u>	\$ <u>-</u>	\$ <u>-</u>
Passed through Communities Connected for for Kids, Inc.					
Extended Foster Care Program	60.141	CCK233	48,811	-	-
	60.141	CCK229	12,590	-	-
	60.141	CCK232	<u>1,067</u>	-	-
			<u>62,468</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u><u>1,936,801</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

(1) State financial assistance not subject to Section 215.97, Florida Statutes.

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Place of Hope, Inc.
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
December 31, 2019

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (collectively referred to the "Schedule") includes the federal and state assistance of Place of Hope, Inc. (the "Organization") under programs of the federal and state government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, and in Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization did not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Contingency

Grants and contracts revenue received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor/contracting agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant and contract expenditures are in compliance with the terms of the grant/contract agreements and applicable federal and state laws and other regulations.

Note 5 - Related Party Transactions

During the year, The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus received grant funding of \$ 250,000 from the State of Florida Department of Children and Families that was passed through to the Organization.

INTERNAL CONTROLS AND COMPLIANCE

**Keefe
McCullough**
CPA's + Trusted Advisors

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 Directors
Place of Hope, Inc.

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 Place of Hope, Inc. (a not-for-profit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 26, 2020

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

To the Board of Directors
Place of Hope, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Place of Hope, Inc.'s (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended December 31, 2019. The Organization's major federal programs and 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 federal statutes and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and 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 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 Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Florida Auditor General*, 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 major federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization'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 each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Florida 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 the Organization'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 federal program or state project on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or 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 federal program or 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
June 26, 2020

**Place of Hope, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2019**

A. Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of Place of Hope, Inc. with the exception of not combining the accounts of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, as noted in Note 14 of the financial statements.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Place of Hope, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program and state project are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*.
5. The auditor’s report on compliance for the major federal program and state project for Place of Hope, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program and state project for Place of Hope, Inc. reported in Part C of this schedule.
7. The program/project tested as major program/project are as follows:

<u>Federal Program:</u>	<u>CFDA No.</u>
United States Department of Health and Human Services, Foster Care - Title IV-E	93.658
<u>State Project:</u>	<u>CSFA No.</u>
State of Florida Department of Children and Families, Place of Hope Haven Campus	60.121

8. The threshold for distinguishing Type A and Type B for federal programs was \$ 750,000. The threshold for distinguishing Type A and Type B for state projects was \$ 581,040.
9. Place of Hope, Inc. was determined not to be a low-risk auditee pursuant to the Uniform Guidance.

B. Findings - Financial Statements Audit

No matters were reported.

Place of Hope, Inc.
Schedule of Findings and Questioned Costs
(continued)
For the Year Ended December 31, 2019

C. Findings and Questioned Costs - Major Federal Program and Major State Project

No matters were reported.

D. Other Issues

1. A separate management letter was not issued because there were no findings required to be reported in the management letter.
2. No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs and/or state projects.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance or the Florida Single Audit Act.