

Financial Statements

**OPERATION NEW HOPE, INC.
(A NOT-FOR-PROFIT CORPORATION)**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

YEARS ENDED DECEMBER 31, 2020 AND 2019



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**INDEPENDENT AUDITOR'S REPORT ON THE
BASIC FINANCIAL STATEMENTS AND SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS**

Board of Directors
Operation New Hope, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Operation New Hope, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2020, 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 our 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation New Hope, Inc. as of December 31, 2020, 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

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 projects is presented, as required by Chapter 10.650, Rules of the Auditor General, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021 on our consideration of Operation New 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 solely 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 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 Operation New Hope, Inc.'s internal control over financial reporting and compliance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Source and Expenditure of City Grant Funds on page 21 is presented for purposes of additional analysis and is not a required part of the basic 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. This information has been subjected to the auditing procedures applied in our audit of the basic 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole, and the nature of the expenses relating to the City of Jacksonville grant proceeds are in compliance with Ordinance Section 118.

Report on 2019 Financial Statements

The 2019 financial statements of Operation New Hope, Inc. were audited by other auditors, and they expressed an unmodified opinion on them in their report dated June 30, 2020.

Masters, Smith + Wisby P.A.

Certified Public Accountants
Jacksonville, Florida

April 20, 2021

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31	
	2020	2019
Current Assets:		
Unrestricted cash and cash equivalents	\$ 2,249,296	\$ 1,462,545
Restricted cash	68,140	206,323
Accounts receivable	563,226	585,275
Pledges receivable	-	31,570
Other current assets	91,954	82,234
Total Current Assets	2,972,616	2,367,947
Property and equipment, net	683,603	3,596,643
Total Assets	\$ 3,656,219	\$ 5,964,590
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 16,604	\$ 16,126
Current portion of notes payable	29,643	33,635
Other current liabilities	55,856	51,412
Total Current Liabilities	102,103	101,173
Other Liabilities:		
Notes payable, less current portion	275,066	3,156,343
Net Assets:		
Without donor restrictions	3,210,910	2,113,075
With donor restrictions	68,140	593,999
Total Net Assets	3,279,050	2,707,074
Total Liabilities and Net Assets	\$ 3,656,219	\$ 5,964,590

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Governmental agency contracts and grants	\$ 2,258,613	\$ -	\$ 2,258,613
Private grants	109,750	15,000	124,750
Contributions	1,506,111	20,663	1,526,774
Noncash contributions	79,964	31,986	111,950
Rental income	67,074	-	67,074
Replication revenue	15,000	-	15,000
Property sales, net	270,009	-	270,009
Interest income	4,939	167	5,106
Forgiveness on paycheck protection loan	419,600	-	419,600
Other	1,054	-	1,054
Net assets released from restrictions	593,675	(593,675)	-
	<u>5,325,789</u>	<u>(525,859)</u>	<u>4,799,930</u>
Total Support and Revenue			
Expenses:			
Program Services	3,629,415	-	3,629,415
Supporting Services:			
Management and general	481,440	-	481,440
Fund raising	117,099	-	117,099
	<u>4,227,954</u>	<u>-</u>	<u>4,227,954</u>
Total Expenses			
Change in Net Assets	<u>1,097,835</u>	<u>(525,859)</u>	<u>571,976</u>
Net Assets, Beginning of Year	<u>2,113,075</u>	<u>593,999</u>	<u>2,707,074</u>
Net Assets, End of Year	<u>\$ 3,210,910</u>	<u>\$ 68,140</u>	<u>\$ 3,279,050</u>

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Governmental agency contracts and grants	\$ 2,808,587	\$ -	\$ 2,808,587
Contributions	965,596	259,426	1,225,022
Noncash contributions	95,317	-	95,317
Rental income	94,535	-	94,535
Replication revenue	39,600	-	39,600
Property sales, net	8,985	-	8,985
Interest income	8,751	-	8,751
Other	2,079	-	2,079
Net assets released from restrictions	146,726	(146,726)	-
	<u>4,170,176</u>	<u>112,700</u>	<u>4,282,876</u>
Total Support and Revenue			
Expenses:			
Program Services	4,084,297	-	4,084,297
Supporting Services:			
Management and general	219,148	-	219,148
Fund raising	59,890	-	59,890
	<u>4,363,335</u>	<u>-</u>	<u>4,363,335</u>
Total Expenses			
Change in Net Assets	<u>(193,159)</u>	<u>112,700</u>	<u>(80,459)</u>
Net Assets, Beginning of Year	<u>2,306,234</u>	<u>481,299</u>	<u>2,787,533</u>
Net Assets, End of Year	<u>\$ 2,113,075</u>	<u>\$ 593,999</u>	<u>\$ 2,707,074</u>

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services	Supporting Services			Total
	Social Development	Management and General	Fund Raising	Total Supporting	
Salaries	\$ 1,768,514	\$ 247,905	\$ 93,029	\$ 340,934	\$ 2,109,448
Employee benefits	156,733	7,684	5,485	13,169	169,902
Payroll taxes	133,320	19,322	6,519	25,841	159,161
Total	<u>2,058,567</u>	<u>274,911</u>	<u>105,033</u>	<u>379,944</u>	<u>2,438,511</u>
Client direct services	555,306	-	-	-	555,306
Client apartments	38,542	-	-	-	38,542
Building occupancy	68,460	8,692	3,475	12,167	80,627
Contract labor	14,191	-	-	-	14,191
Training and development	22,867	1,233	-	1,233	24,100
Technology	222,179	60,349	1,007	61,356	283,535
Professional fees	135,680	59,118	131	59,249	194,929
Office expense	101,739	24,594	205	24,799	126,538
Rental	77,738	-	-	-	77,738
Advertising	11,624	2,306	57	2,363	13,987
Fundraising	-	-	85	85	85
Lobbying	-	38,503	-	38,503	38,503
Insurance	37,623	4,776	1,910	6,686	44,309
Travel	8,509	212	1,465	1,677	10,186
Interest	25,692	3,617	-	3,617	29,309
Bad debt	35,000	-	-	-	35,000
Other	1,896	62	2,504	2,566	4,462
Total Expenses before Depreciation	<u>3,415,613</u>	<u>478,373</u>	<u>115,872</u>	<u>594,245</u>	<u>4,009,858</u>
Depreciation expense	<u>213,802</u>	<u>3,067</u>	<u>1,227</u>	<u>4,294</u>	<u>218,096</u>
Total Functional Expenses	<u><u>\$ 3,629,415</u></u>	<u><u>\$ 481,440</u></u>	<u><u>\$ 117,099</u></u>	<u><u>\$ 598,539</u></u>	<u><u>\$ 4,227,954</u></u>

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services	Supporting Services			Total
	Social Development	Management and General	Fund Raising	Total Supporting	
Salaries	\$ 1,756,898	\$ 85,623	\$ 26,446	\$ 112,069	\$ 1,868,967
Employee benefits	246,294	13,650	3,265	16,915	263,209
Total	<u>2,003,192</u>	<u>99,273</u>	<u>29,711</u>	<u>128,984</u>	<u>2,132,176</u>
Client direct services	970,286	-	-	-	970,286
Building occupancy	110,614	8,698	-	8,698	119,312
Contract labor	14,382	-	-	-	14,382
Training and development	1,094	-	-	-	1,094
Telephone	6,029	2,148	-	2,148	8,177
Professional fees	75,263	34,640	30,105	64,745	140,008
Office expense	294,900	35,181	-	35,181	330,081
Rental	55,125	6,125	-	6,125	61,250
Advertising	27,846	-	-	-	27,846
Fundraising	-	-	74	74	74
Insurance	53,726	2,828	-	2,828	56,554
Travel	39,850	2,496	-	2,496	42,346
Bad debt	156,000	-	-	-	156,000
Other	55,598	520	-	520	56,118
Total Expenses before Depreciation	<u>3,863,905</u>	<u>191,909</u>	<u>59,890</u>	<u>251,799</u>	<u>4,115,704</u>
Depreciation expense	<u>220,392</u>	<u>27,239</u>	<u>-</u>	<u>27,239</u>	<u>247,631</u>
Total Functional Expenses	<u><u>\$ 4,084,297</u></u>	<u><u>\$ 219,148</u></u>	<u><u>\$ 59,890</u></u>	<u><u>\$ 279,038</u></u>	<u><u>\$ 4,363,335</u></u>

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 571,976	\$ (80,459)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	218,096	247,631
Gain on sale of fixed assets	(272,749)	-
Value of donated assets	-	(21,550)
Pledges receivable	31,570	(30,070)
Forgiveness on paycheck protection program loan	(419,600)	-
Other current assets	(9,720)	36,602
Changes in assets and liabilities:		
Receivables	22,049	95,959
Accounts payable	478	16,126
Other current liabilities	4,444	(1,692)
Net Cash Flows from Operating Activities	<u>146,544</u>	<u>262,547</u>
Cash Flows from Investing Activities:		
Proceeds on sale of property and equipment	141,401	-
Purchase of property and equipment	(22,191)	(13,191)
Net Cash Flows from Investing Activities	<u>119,210</u>	<u>(13,191)</u>
Cash Flows from Financing Activities:		
Proceeds from paycheck protection program loan	419,600	-
Principal payments on notes payable	(36,786)	(25,627)
Net Cash Flows from Financing Activities	<u>382,814</u>	<u>(25,627)</u>
Net Change in Cash and Cash Equivalents, and Restricted Cash	648,568	223,729
Cash and Cash Equivalents, and Restricted Cash Beginning of Year	<u>1,668,868</u>	<u>1,445,139</u>
Cash and Cash Equivalents, and Restricted Cash End of Year	<u>\$ 2,317,436</u>	<u>\$ 1,668,868</u>
Cash - without donor restrictions	2,249,296	1,074,869
Cash - with donor restrictions	68,140	593,999
	<u>\$ 2,317,436</u>	<u>\$ 1,668,868</u>
Supplemental Disclosures of Non-cash Information:		
Cash paid for interest	<u>\$ 29,309</u>	<u>\$ 39,655</u>
Supplemental Schedule of Non-cash Financing and Investing Activities:		
Notes payable settled in connection with the sale of property	<u>\$ 2,848,333</u>	<u>\$ -</u>

See notes to financial statements

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

A. Nature of Activities:

Operation New Hope, Inc. (the "Organization") was incorporated in Florida as a nonprofit Corporation in March 1999. It is the mission of the Organization to provide individuals and families with opportunities and tools necessary to rebuild their lives and restore communities through sustainable economic development initiatives.

B. Summary of Significant Accounting Policies:

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation:

In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable:

Accounts receivable balance primarily consists of amounts due to the Organization from governmental units under the terms of various contracts. The Organization has not had any losses of accounts receivable and does not maintain an allowance for doubtful accounts.

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 and disclosures. Accordingly, actual results may differ from those estimates.

Expense Allocation:

The costs of providing program services, management and fund-raising activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Program service costs that can be directly identified with a program are charged to the appropriate program, costs that can be directly identified as fund-raising are charged to fund-raising expense. Supporting services, including administration and senior management costs are allocated to programs, management and general and fund raising based on estimates of time spent on those activities.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

B. Summary of Significant Accounting Policies (continued):

Income Taxes:

The Organization is a tax-exempt Organization as defined in Section 501(c)(3) of the Internal Revenue Code. The Organization is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively.

The Organization applies generally accepted accounting principles related to income tax uncertainties. The Organization has determined that there were no unrecognized tax benefits for the years ended December 31, 2020. The Organization files tax returns in the U.S. federal jurisdiction. Tax years that remain subject to examination by major tax jurisdictions are 2017 and forward.

Property and Equipment:

Property and equipment are recorded at historical cost or fair market value at date of donation. Purchases in excess of \$5,000 are capitalized. Depreciation is computed using the straight-line method over the useful lives of the assets, which range from five to forty years.

The Organization reports gifts of land, building, and equipment as without restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization does not imply time restrictions expiring over the estimated useful life of contributed long lived assets.

Periodically, management reviews land, building, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Impairment is measured by comparing the carrying amount of the asset to the sum of expected future cash flows (undiscounted and without interest charges) resulting from use of the asset and its eventual disposition. Management believes that there are no impairment losses on long-lived assets as of December 31, 2020.

Public Support:

Public support revenues from government grants are recorded based on the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs or units of service of the specific grant provisions have been incurred or provided. Such revenue is subject to audit by the grantor and, if the examination results in a non-allowance of units of service or expenses, the Organization will be required to reimburse any overpayments.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

B. Summary of Significant Accounting Policies (continued):

Contributions and Support Without and With Donor Restrictions:

Contributions and support received are recorded either without or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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.

Concentrations of Credit Risk:

The Organization's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions. At such times the financial instruments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits.

Contributions and Promises to Give:

The Organization recognizes contributions received, including unconditional promises to give, as assets and revenues in the period received at their net realizable fair values. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Gifts of cash or other assets are reported as restricted support if they are received with donor stipulations that limit the use of such assets. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is accomplished, 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.

The Organization had conditional promises to give of \$400,000 and \$625,000 at December 31, 2020 and 2019, respectively.

Noncash Contributions:

When equipment is donated, in-kind values are recorded as contributions.

Fair Value Measurements:

The carrying amounts reflected in the balance sheet for cash, accounts receivable, pledges receivable, other current assets, accounts payable and other current liabilities approximate fair value due to the relative terms and/or short maturity of these financial instruments. The fair value of notes payable at December 31, 2020 and 2019 approximate carrying value due to the interest rates in effect.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

B. Summary of Significant Accounting Policies (continued):

New Accounting Pronouncement - Leases:

In February 2016, the FASB issued ASU 2016-02, Leases, which establishes a comprehensive lease standard under generally accepted accounting principles for virtually all industries. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right of use asset and a lease liability on the balance sheets for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales type leases, direct financing leases and operating leases. The new standard will apply for annual periods beginning after December 15, 2019, including interim periods therein, and requires modified retrospective application. Early adoption is permitted. In June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), which defers the effective date of ASU 2016-02, until annual periods beginning after December 15, 2021. Management is in the process of evaluating the effects the adoption of this update may have on the financial statements.

New Accounting Pronouncement – Revenue Recognition:

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The main principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 provides companies with two implementation methods: (i) apply the standard retrospectively to each prior reporting period presented (full retrospective application); or (ii) apply the standard retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). This guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. As a result of adopting these standards using the modified retrospective application, no prior year amounts were reclassified to conform to the presentation requirements. There was no material impact to the financial statements as a result of adoption.

New Accounting Pronouncement – Cash:

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, which requires that the change in restricted cash and cash equivalents be presented in the statement of cash flows along with cash and cash equivalents. This guidance is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. As a result of adopting these standards using the retrospective transition method, no prior year amounts were reclassified to conform to the presentation requirements. There was no material impact to the financial statements as a result of adoption.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

B. Summary of Significant Accounting Policies (continued):

New Accounting Pronouncement – Contributions Received and Made:

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which shifts the accounting for revenue recognition for most government grants from an exchange model to the contribution accounting model, resulting in most federal grants being accounted for as donor-restricted conditional contributions. The Organization has elected the “simultaneous release” accounting policy option such that grants received and used within the same period are reported in net assets without donor restriction, consistent with the previous presentation of government grants and contracts revenue in the statement of activities. Because most federal grants are awarded on a cost reimbursable basis, contribution revenue is triggered by incurring reimbursable costs and timing of revenue recognition is not materially impacted by this amendment. For sub-grants, expense recognition is deferred for conditional arrangements and immediate for unconditional arrangements. ASU 2018-08 is effective for annual periods beginning after June 15, 2018 for contributions received and effective for annual periods beginning after December 15, 2018 on contributions made; early adoption is permitted. As a result of adopting this standard using the prospective adoption approach, and in accordance with ASU 2018-08, no prior period results are restated in supplemental schedules nor are cumulative-effect adjustments reflected in the opening balance of net assets.

ASU 2018-08 also requires that entities determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets, which is likely to result in more grants and contracts being accounted for as conditional contributions than in prior years and an increase in the amount of deferred revenue and refundable advances. This guidance is applied on a modified prospective basis, meaning that there is no cumulative-effect adjustment to the opening balance of net assets as a result of adoption.

C. Net Assets with Donor Restrictions are Available for the Following Purposes or Periods:

At December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	December 31	
	2020	2019
JaxPort Academy	\$ -	\$ 327,100
St. Augustine office	68,140	227,856
Future program support	-	39,043
	\$ 68,140	\$ 593,999

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

D. Liquidity and Availability of Financial Assets:

It is the policy of the Organization to manage its financial assets, so they are available when needed to meet its general expenditures, liabilities and other obligations as they become due.

The Organization's financial assets available within one year from the statement of Financial position date available for general expenditures are:

	December 31	
	2020	2019
Cash and cash equivalents	\$ 2,317,436	\$ 1,668,868
Accounts receivable	563,226	585,275
Pledges receivable	-	31,570
Other current assets	-	82,234
Financial assets at year-end	2,880,662	2,367,947
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	68,140	593,999
Financial assets available to meet cash needs for general expenditure within one year	\$ 2,812,522	\$ 1,773,948

E. Assets Released from Donor Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from donor restrictions amounted to \$593,675 and \$146,726 for the year ending December 31, 2020 and 2019, respectively.

F. Property and Equipment:

Property and equipment consist of the following:

	December 31	
	2020	2019
Land and improvements	\$ 265,839	\$ 653,367
Building and improvements	699,713	3,273,752
Furniture and fixtures	1,509,540	1,512,800
Vehicles	61,144	41,608
	2,536,236	5,481,527
Accumulated depreciation	(1,852,633)	(1,884,884)
Total property and equipment	\$ 683,603	\$ 3,596,643

Depreciation expense for the years ended December 31, 2020 and 2019 was \$218,096 and \$247,631, respectively.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

G. Notes Payable:

	2020	2019
<p>During 2019, the Organization renewed a promissory note in the amount of \$302,724. This note bears interest at 5.58% at December 31, 2020, is due in monthly installments of \$3,303, and matures in June 2024. The note is secured by a mortgage. A balloon payment in the amount of \$173,557 is due at maturity. The note contains various default provisions and negative covenants. The Organization was in compliance with these covenants as of December 31, 2020.</p>	\$ 262,771	\$ 290,696
<p>During 2019, the Organization renewed a promissory note in the amount of \$48,106. This note bears interest at 5.58% at December 31, 2020, is due in monthly installments of \$524 and matures in June 2024. The note is secured by a mortgage. A balloon payment in the amount of \$27,528 is due at maturity. The note contains various default provisions and negative covenants. The Organization was in compliance with these covenants as of December 31, 2020.</p>	41,938	46,108
<p>Note payable - City of Jacksonville, issued in 2013 in the amount of \$2,116,243. The note is administered by the City of Jacksonville, Florida, provided through the Neighborhood Stabilization Program, a federal grant program awarded by the United States Department of Housing and Urban Development ("HUD"). The note is secured by a mortgage and incurs no interest, as long as there is no event of default. The project involved construction of a multifamily residential rental building in prior year. This note was paid-off with the sale of the related property.</p>	-	2,501,930
<p>Construction loan issued in 2015 in the amount of \$500,000. Interest of 4.75% accrued until March 2017. Beginning in April 2017, the note bears interest of 5.25% and monthly installments of principal and interest are due in the amount of \$2,018. This note was paid-off with the sale of the related property.</p>	-	351,244
	304,709	3,189,978
Less, Current Portion	(29,643)	(33,635)
Net, Long-Term Debt	\$ 275,066	\$ 3,156,343

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

G. Notes Payable (continued):

Notes Payable (continued):

Maturities on the above notes payable are payable as follows:

<u>December 31</u>	<u>Amount</u>
2021	\$ 29,643
2022	31,382
2023	33,205
2024	210,479
Total	<u>\$ 304,709</u>

H. Employee Benefit Plan:

The Organization established a 403(b) plan (the "Plan") whereby employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length of service requirements. Under the Plan, employees may contribute an amount not to exceed the limit imposed by the Internal Revenue Service. The Organization may elect to make a discretionary profit-sharing contribution to the Plan. Employer contributions to the Plan were \$33,068 and \$25,638 at December 31, 2020 and 2019, respectively.

I. Lease Obligations:

The Organization leases certain program space under operating leases expiring through 2021.

Future minimum lease payments under non-cancelable operating leases are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	<u>\$ 20,700</u>

J. Covid-19 and Paycheck Protection Program Loan:

The novel strain of the coronavirus (Covid-19) in the United States has caused widespread economic disruptions in nearly every sector of the economy. In order to alleviate some of the financial hardships associated with the disease, a Paycheck Protection Program (PPP) loan was created by the federal government under the CARES act. The Organization took part in the PPP and received a loan of \$419,600 on April 30, 2020. The term of the Loan is 2 years bearing interest at 1.0% per annum. The Loan contains provisions favorable to the Organization including, but not limited to, no payments are due under the Loan until after a 6-month deferment period, borrower fees, lender fees and prepayment fees have been waived and further, the Organization can be eligible for loan forgiveness equal to the total amount paid for payroll costs, rent and utility costs as defined under the Act. On November 3, 2020 the Organization was notified by the lenders that this loan had been forgiven in full.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019
(continued)

K. Concentrations of Revenue:

For the years ended December 31, 2020 and 2019, 47% and 66%, respectively, of unrestricted revenue was provided by governmental sources.

L. Reclassifications:

Certain accounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on total net assets as previously reported.

M. Subsequent Events:

In preparing these financial statements, the Organization evaluated subsequent events and transactions for potential recognition or disclosure through April 20, 2021, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

OPERATION NRE HOPE, INC.
(A Not-For-Profit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
Year Ended December 31, 2020

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Grant Period	CFDA/ CSFA Number	Contract/ Grant Number	Award Amount	Expenditures
<u>FEDERAL PROGRAMS:</u>					
U.S. Department of Labor:					
Training to Work 3 - Adult Reentry	7/1/18 - 9/30/21	17.270	PE-32144-18-60-A-12	1,500,000	\$ 418,860
			Total Expenditures of Federal Awards		<u>418,860</u>
<u>STATE PROJECTS:</u>					
Florida Department of Corrections:					
Transitional Services - Post Release	7/1/19 - 6/30/20	70.011	C2855	1,725,000	994,576
Transitional Services - Post Release	7/1/20 - 6/30/21	70.011	B7863E	2,225,000	<u>516,204</u>
			Total Expenditures of State Projects		<u>1,510,780</u>
<u>LOCAL ASSISTANCE:</u>					
Passed through City of Jacksonville, Florida					
Re-Entry Services	10/1/19 - 9/30/20		8013-78	400,000	286,021
Re-Entry Services	10/1/20 - 9/30/21		615084-21	400,000	<u>42,975</u>
					328,996
Local Initiatives Support Corporation					
Workforce Development	10/1/19 - 9/30/20		42049-0076	62,750	60,250
United Way - Basic Needs				18,750	18,750
United Way - First Coast Relief Fund				22,000	22,000
United Way - St. Johns County - Basic Needs				5,000	<u>5,000</u>
			Total Expenditures of Local Assistance		<u>434,996</u>
Total Expenditures of Federal Awards, State Financial Assistance and Local Assistance					<u>\$ 2,364,636</u>

See notes to schedule of awards

OPERATION NEW HOPE, INC,
(A Not-For-Profit Corporation)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS
Year Ended December 31, 2020

A. Basis of Presentation:

The accompanying schedule of expenditures of federal awards and state funding(the Schedule) includes the federal, state and local award activity of Operation New Hope, Inc.. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Operation New Hope, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

B. Summary of Significant Accounting Policies:

- a. Expenditures reported on the Schedule are reported on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.
- b. Pass-through entity identifying numbers are presented where available.
- c. The Organization has elected to use the ten percent de minimis indirect rate allowed under the Uniform Guidance.

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

SCHEDULE OF SOURCE AND EXPENDITURE OF CITY GRANT FUNDS
PER ORDINANCE CODE CHAPTER 118.205(e)
For the Year Ended December 31, 2020

Receipt of City Funds:

	<u>City FY 2019- 2020 Grant # 8013-78</u>	<u>City FY 2020- 2021 Grant # 615084-21</u>
Amount of Award, as Amended	\$ 400,000	\$ 400,000
Actual Funds Received from City in Last Audit Period(s)	(14,180)	-
Actual Amount Received this Period	(286,021)	(4,378)
Amounts Forfeited	<u>(99,799)</u>	<u>-</u>
Amount Remaining to be Distributed	<u><u>\$ -</u></u>	<u><u>\$ 395,622</u></u>

Expenditures of City Funds:

City FY 2019-2020 Grant # 8013-78

<u>Item</u>	<u>(Unaudited) Original Budget</u>	<u>Actual 10/1/2019 - 12/31/19</u>	<u>Actual 1/1/2020 - 9/30/2020</u>	<u>Amounts Forfeited</u>
Direct client expenses	<u>\$ 400,000</u>	<u>\$ 14,180</u>	<u>\$ 286,021</u>	<u>\$ 99,799</u>
Total	<u><u>\$ 400,000</u></u>	<u><u>\$ 14,180</u></u>	<u><u>\$ 286,021</u></u>	<u><u>\$ 99,799</u></u>

City FY 2020-2021 Grant/PO # 615804-21

<u>Item</u>	<u>(Unaudited) Original Budget</u>	<u>Actual 10/1/2020 - 12/31/20</u>	<u>Actual 1/1/2021 - 9/30/2021</u>	<u>Remaining Balance</u>
Direct client expenses	<u>\$ 400,000</u>	<u>\$ 42,975</u>	<u>\$ -</u>	<u>\$ 357,025</u>
Total	<u><u>\$ 400,000</u></u>	<u><u>\$ 42,975</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 357,025</u></u>

**OPERATION NEW HOPE, INC,
(A Not-For-Profit Corporation)**

**NOTES TO SCHEDULE OF SOURCE AND EXPENDITURES OF CITY GRANT FUNDS
Year Ended December 31, 2020**

Basis of Presentation:

The accompanying schedule of source and expenditures of city grant funds includes grant activity related to funding from various departments within the City of Jacksonville.

The information in this schedule is presented in accordance with the requirements of Ordinance Code Chapter 118.202(e) of the City of Jacksonville, Florida. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Operation New Hope, Inc.
Jacksonville, 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 Operation New Hope, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2020 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 April, 20 2021.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

Masters, Smith & Wisby P.A.

Certified Public Accountants
Jacksonville, Florida

April 20, 2021



**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**

Board of Directors
Operation New Hope, Inc
Jacksonville, Florida

Report on Compliance for Each Major State Project

We have audited Operation New Hope, Inc.'s (a not-for-profit corporation) compliance with the types of compliance requirements described in the in the Department of financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of Operation New Hope, Inc.'s major State projects for the year ended December 31, 2020. Operation New 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 State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each Operation New 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 the audit requirements of Chapter 10.650 Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the 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 State project occurred. An audit includes examining, on a test basis, evidence about Operation New 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 each major State project. However, our audit does not provide a legal determination of Operation New Hope, Inc.'s compliance.

Opinion on Each Major State Project

In our opinion, Operation New 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 December 31, 2020.

Report on Internal Control Over Compliance

Management of Operation New 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 Operation New 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 each major State project 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 Operation New 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.

Masters, Smith & Wisby P.A.

Certified Public Accountants
Jacksonville, Florida

April 20, 2021

OPERATION NEW HOPE, INC.
(A Not-For-Profit Corporation)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____	Yes	_____ X _____ No
Significant deficiency(ies) identified?	_____	Yes	_____ X _____ No
Noncompliance material to financial statements noted?	_____	Yes	_____ X _____ No

Federal Awards and State Projects

Internal control over major programs:			
Material weakness(es) identified?	_____	Yes	_____ X _____ No
Significant deficiency(ies) identified?	_____	Yes	_____ X _____ No

<i>Unmodified</i> auditor's report issued on compliance for major programs:			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516? or Chapter 10.650	_____	Yes	_____ X _____ No

Identification of major programs:

Federal Program or Cluster	CFDA #'s
N/A for 2020	
State Program or Cluster	State CFDA #'s
Florida Department of Corrections: Transitional Services - Post Release	70.011
Dollar threshold used to distinguish between type A and type B programs - Federal Programs:	\$ 750,000
Dollar threshold used to distinguish between type A and type B programs - State Projects:	\$ 750,000
Auditee qualified as low risk auditee?	_____ X _____ Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Audit Findings

None

Section V - Corrective Action Plan

None

No management letter is required because there were no findings to be reported.