

# Place of Hope, Inc.

Financial Statements  
and Additional Information  
For the Year Ended December 31, 2022



## Place of Hope, Inc.

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# FINANCIAL STATEMENTS



# SUPPLEMENTARY INFORMATION



# INTERNAL CONTROLS AND COMPLIANCE

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Place of Hope, Inc.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Place of Hope, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by 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 schedule of expenditures of state financial assistance 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 August 23, 2023 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  
August 23, 2023

**Place of Hope, Inc.**  
**Statement of Financial Position**  
**December 31, 2022**

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**Assets:**

Cash and cash equivalents	\$ 6,051,469
Investments	19,109,938
Grants and contracts receivable	422,907
Promises to give, net	1,521,180
Prepaid expenses and other assets	250,447
Due from related party	19,783
Property and equipment, net	15,900,087
Right-of-use asset, net	<u>546,142</u>
Total assets	<u>\$ 43,821,953</u>

**Liabilities:**

Accounts payable and accrued expenses	\$ 471,599
Refundable advances	602,516
Lease liability	546,142
Deferred compensation	<u>160,000</u>
Total liabilities	<u>1,780,257</u>

**Net Assets:**

Without donor restrictions:	
Undesignated	29,367,176
Designated	4,975,545
With donor restrictions:	
Purpose restrictions	<u>7,698,975</u>
Total net assets	<u>42,041,696</u>
Total liabilities and net assets	<u>\$ 43,821,953</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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public Support and Revenues:</b>			
Contributions	\$ 9,054,870	\$ 6,638,285	\$ 15,693,155
Grants and contracts	2,532,348	-	2,532,348
Contributed nonfinancial assets	113,267	-	113,267
Donated facilities	11,000	-	11,000
	<u>11,711,485</u>	<u>6,638,285</u>	<u>18,349,770</u>
Total public support and revenues			
Net assets released from restrictions	<u>11,457</u>	<u>(11,457)</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>11,722,942</u>	<u>6,626,828</u>	<u>18,349,770</u>
<b>Expenses:</b>			
Program services	<u>7,261,714</u>	<u>-</u>	<u>7,261,714</u>
Supporting services:			
Management and general	566,125	-	566,125
Fundraising	<u>1,130,224</u>	<u>-</u>	<u>1,130,224</u>
Total supporting services	<u>1,696,349</u>	<u>-</u>	<u>1,696,349</u>
Total expenses	<u>8,958,063</u>	<u>-</u>	<u>8,958,063</u>
Net operating revenue	<u>2,764,879</u>	<u>6,626,828</u>	<u>9,391,707</u>
<b>Other Income (Expenses):</b>			
Transfers from other nonprofit organizations	6,668,729	-	6,668,729
Loss on disposal of property and equipment	(4,155)	-	(4,155)
Net investment income (loss)	<u>(2,858,613)</u>	<u>(204,809)</u>	<u>(3,063,422)</u>
Total other income	3,805,961	(204,809)	3,601,152
Change in net assets	6,570,840	6,422,019	12,992,859
<b>Net Assets, beginning of year</b>	<u>27,771,881</u>	<u>1,276,956</u>	<u>29,048,837</u>
<b>Net Assets, end of year</b>	<u>\$ 34,342,721</u>	<u>\$ 7,698,975</u>	<u>\$ 42,041,696</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, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>Personnel Costs:</b>				
Salaries	\$ 3,061,727	\$ 213,609	\$ 284,812	\$ 3,560,148
Employee benefits and payroll taxes	598,314	45,069	52,538	695,921
Total personnel costs	<u>3,660,041</u>	<u>258,678</u>	<u>337,350</u>	<u>4,256,069</u>
<b>Other Expenses:</b>				
Bank charges and fees	43,604	43,603	-	87,207
Dues and subscriptions	17,008	17,008	-	34,016
Event and activity expenses (including \$ 37,767 in-kind donations)	380,802	-	721,129	1,101,931
Insurance	368,610	7,574	3,138	379,322
Licenses, permits, and taxes	17,447	-	-	17,447
Miscellaneous expenses	20,617	-	-	20,617
Office supplies and other	213,649	60,702	31,385	305,736
Outreach	277,977	-	-	277,977
Printing and reproduction	66,858	22,286	22,286	111,430
Professional fees	218,011	28,654	1,734	248,399
Promotional expenses (including \$ 62,500 of in-kind donations)	198,345	24,706	805	223,856
Provision for depreciation	557,895	49,591	12,397	619,883
Regulatory compliance	40,082	-	-	40,082
Rent (including \$ 11,000 of in-kind donations)	86,001	-	-	86,001
Repairs and maintenance	346,235	24,623	-	370,858
Residents support (including \$ 13,000 of in-kind donations)	379,540	-	-	379,540
Telephone	21,816	2,424	-	24,240
Training and development	5,734	-	-	5,734
Travel (program advancement)	34,934	11,644	-	46,578
Utilities	306,508	14,632	-	321,140
Total other expenses	<u>3,601,673</u>	<u>307,447</u>	<u>792,874</u>	<u>4,701,994</u>
Total expenses	<u>\$ 7,261,714</u>	<u>\$ 566,125</u>	<u>\$ 1,130,224</u>	<u>\$ 8,958,063</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, 2022**

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<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 12,992,859
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Transfers from other nonprofit organization, net of cash acquired	(6,584,184)
Amortization of right-of-use asset	65,539
Provision for depreciation	619,883
Loss on disposal of property and equipment	4,155
Net realized and unrealized (gains) losses on investments	3,333,022
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grants and contracts receivable	(191,254)
Promises to give, net	(1,521,180)
Prepaid expenses and other assets	(53,531)
Due from related party	559,081
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	41,089
Refundable advances	263,606
Lease liability	(65,539)
Deferred compensation	40,000
	<hr/>
Net cash provided by (used in) operating activities	<u>9,503,546</u>
 <b>Cash Flows from Investing Activities:</b>	
Proceeds from sales of investments	2,776,538
Purchases of property and equipment	(683,816)
Purchases of investments	<u>(10,361,318)</u>
	<hr/>
Net cash provided by (used in) investing activities	<u>(8,268,596)</u>
 <b>Cash Flows from Financing Activities:</b>	
Payments on line of credit	<u>(128)</u>
	<hr/>
Net increase (decrease) in cash and cash equivalents	1,234,822
 <b>Cash and Cash Equivalents, beginning of year</b>	 <u>4,816,647</u>
 <b>Cash and Cash Equivalents, end of year</b>	 \$ <u><u>6,051,469</u></u>

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 nonprofit, 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, a maternity home, and 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 (neighborhood foster 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 fifty-four (54) children daily in nine (9) "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 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 11), 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.
- 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.

### Note 1 - Organization and Operations (continued)

- 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.
- Shade Tree Family Outreach provides family outreach and intervention programs, family strengthening initiatives and critical services to families and children who are navigating the child welfare system with the goal of supporting children and families dealing with the dependency/child welfare and foster care systems; meeting emergency and family preservation needs; expanding the ministry reach of Place of Hope. Shade Tree Family Outreach also promotes child abuse and neglect prevention and awareness and child advocacy.

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") (Note 11). Village, a not-for-profit entity incorporated in 2006, provides a residential campus which may serve up to fifty-four (54) 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 social enterprise to support the activities of the Organization and Village. Haven, a nonprofit entity incorporated in 2013, provides real estate and other property and equipment to the Organization and Village in furtherance of their respective missions.

### 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 accounting principles generally accepted in the United States of America ("U.S. GAAP"). Revenues are recognized when earned and expenses are recognized when incurred.

**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.

*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.

**Note 2 - Summary of Significant Accounting Policies (continued)**

Generally, contributions restricted by donors are reported 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. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal 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, common stocks, fixed income securities, exchange traded funds (ETFs), and mutual funds. Investments are stated at their estimated fair value. Realized/unrealized gains and losses in fair value are recognized and are included in the accompanying statement of activities.

**Promises to give:** The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques based on the Organization's expected rate of return. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Consequently, the Organization had approximately \$ 400,000 of conditional promises to give, pertaining to a matching challenge, that have not been recognized in the accompanying statement of activities as of December 31, 2022.

**Allowance for doubtful accounts:** Management periodically reviews grants and contracts receivable and promises to give and provides an allowance for accounts which may be uncollectible. At December 31, 2022, management considered the grants and contracts receivable balance and promises to give 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.

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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Revenue and revenue recognition:** The Organization recognizes revenues from nonexchange transactions 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.

Grants and contracts revenue derived from units of service contracts is recognized as revenue when the unit of service has been provided in compliance with the specific contract. Revenue derived from cost-reimbursement contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, is recognized when such expenditures are incurred in compliance with specific contract provisions.

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.

**Refundable advances:** Revenues received in advance (nonexchange transaction) that are not recognized because the allowable costs as defined by the individual grant or contract have not been incurred, the unit of service has not been provided, and/or the conditions of release have not been substantially met or explicitly waived are considered refundable advances. In addition, revenues received in advance from special events and other income that are considered exchange transactions are deferred to the applicable period.

**Donated facilities:** Donated facilities are recognized, at estimated fair value, as a contribution, along with a corresponding expense, in the period the right-of-use of the facilities is received from a third party.

**Donated goods and services:** Donated services are recognized, at estimated fair value, as a contribution, along with corresponding expense, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individual with those skills, and would otherwise have been purchased. Donated goods are recorded at their estimated fair market value when received. Donated equipment is capitalized at its estimated fair market value at the date of donation and depreciated over the estimated useful life of the asset.

**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. Expenses that can be directly identified within a program or supporting service are charged accordingly. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses, including 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 2 - Summary of Significant Accounting Policies (continued)

**Leases:** The Organization determines if an arrangement is or contains a lease at inception. Leases are included in operating lease right-of-use ("ROU") asset and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

In 2022, the Organization adopted FASB Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the modified retrospective transition method, presenting the impact of ASU 2016-02 in the current year of adoption only, with the cumulative effect of initially applying the guidance recognized at the beginning of the current year. This did not result in a change to net assets as of January 1, 2022. The Organization also elected the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date.

As a result of implementing this standard, the Organization recognized (a) operating lease liabilities representing the value of the remaining lease payments discounted using the Organization's weighted average discount rate of 1.64% totaling approximately \$ 612,000 and (b) an operating right-of-use-asset of approximately \$ 612,000 as of January 1, 2022.

**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, receivables, and investments. 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. 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. 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 U.S. GAAP 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 August 23, 2023 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	\$ 6,051,469
Investments	19,109,938
Grant and contracts receivable	422,907
Promises to give, net	1,521,180
Due from related parties	<u>19,783</u>
Financial assets at year-end	<u>27,125,277</u>
Less those unavailable for general expenditures within one year, due to:	
Promises to give collectible beyond one year, net (Note 5)	(921,180)
Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure	(6,177,795)
Board designated endowments, primarily for long-term investing	<u>(4,975,545)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 15,050,757</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 line of credit (Note 7).

#### Note 4 - Investments

In accordance with the Statement of Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) No. 820, *Fair Value Measurements and Disclosures*, the Organization has defined and established a framework for measuring fair value and expanded disclosures about fair value measurements. Various inputs are used in determining the fair value of the Organization's investments. These inputs are summarized in three levels listed below:

- 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.

Fair values of investments, held by the Organization are classified at December 31, 2022 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 6,127,789	\$ 2,500,727	\$ -	\$ 8,628,516
Equity and other mutual funds	7,171,750	-	-	7,171,750
Common stocks	2,075,206	-	-	2,075,206
International equity funds	671,991	-	-	671,991
Alternatives, hedge funds and commodities	382,753	-	-	382,753
Community Foundation fund	-	179,722	-	179,722
Total	<u>\$ 16,429,489</u>	<u>\$ 2,680,449</u>	<u>\$ -</u>	<u>\$ 19,109,938</u>

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

Interest and dividend income	\$ 397,198
Net realized/unrealized gains (losses)	(3,333,022)
Fees	<u>(127,598)</u>
	<u>\$ (3,063,422)</u>

**Note 5 - Promises to Give**

Promises to give, at December 31, 2022, are summarized as follows:

Receivable in less than one year	\$	600,000
Receivable in two to four years		<u>1,000,000</u>
Total unconditional pledges at face value		1,600,000
Less: unamortized discount		<u>(78,820)</u>
	\$	<u><u>1,521,180</u></u>

Promises to give are recorded net of a discount to net present value. The discount rate is 5.672%.

**Note 6 - Property and Equipment**

Property and equipment consists of the following at December 31, 2022:

Buildings and improvements	\$	13,904,162
Land improvements		1,313,562
Furniture, fixtures, and office equipment		567,768
Vehicles		691,995
Machinery and equipment		<u>460,407</u>
		16,937,894
Less: accumulated depreciation		<u>5,929,784</u>
		11,008,110
Land		4,534,601
Construction in progress		<u>357,376</u>
	\$	<u><u>15,900,087</u></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.

**Note 7 - Line 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 Secured Overnight Financing Rate plus a fixed spread adjustment of 0.110% plus 1.50% (5.672% at December 31, 2022). The line of credit is collateralized by certain assets of the Organization. There was no outstanding balance on this line of credit at December 31, 2022.

**Note 8 - Leases**

The right-of-use asset and corresponding liability associated with future lease payments at December 31, 2022 are as follows:

		<u>Operating</u>
Right -of-use assets	\$	546,142
Lease liability	\$	546,142
Weighted average		
Discount rate		1.64%
Remaining lease term (years)		7.75

Total lease cost reported in the consolidated statement of operations for the year ended December 31, 2022 was approximately \$75,000.

Operating lease payments are expected to be paid approximately as follows:

<u>Year Ending</u> <u>December 31,</u>		
2023	\$	75,000
2024		75,000
2025		75,000
2026		75,000
2027		75,000
Thereafter		<u>206,000</u>
		581,000
Less: Present Value		
Discount		<u>(35,000)</u>
	\$	<u><u>546,000</u></u>

**Note 9 - Commitments and Contingencies**

**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 10 – Contributed Nonfinancial Assets**

The Organization received the following contributions of nonfinancial assets for the year ended December 31, 2022:

Advertising	\$	62,500
Equipment rentals		37,767
Program support		<u>13,000</u>
	\$	<u><u>113,267</u></u>

The Organization also receives significant services from unpaid volunteers who have made contributions of their time to develop and continue the programs and events of the Organization. The Organization has not disclosed the value of these services in the accompanying financial statements since they are not susceptible to objective measurement and valuation and therefore the criteria for recognition have not been satisfied.

**Note 11 - Related Party Transactions (Note 1)**

Consolidation of other nonprofit organizations is based on whether the Organization has voting control over the other organization's board as evidenced in the other organization's governing documents. The accompanying financial statements do not consolidate Village, Treasures and Haven because management has determined that, although the Organization has economic interests and contracts with the entities, the requirements for consolidation have not been met.

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 \$ 143,000, in-kind facilities of approximately \$ 209,000, and contributed approximately \$ 117,000 to Village during the year ended December 31, 2022. In addition, at December 31, 2022, the Organization had an amount due from Village of approximately \$ 20,000, 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, 2022. In addition, the Organization received equipment of approximately \$ 11,000 from Treasures which is reported as transfers from other nonprofit organizations.

The Organization is related to Haven through common board members and management. During the year, the Organization contributed approximately \$ 20,000 to Haven for property improvements and approximately \$ 9,000 for expense reimbursements. Previously, the Organization entered into a 10-year lease agreement for use of Haven's facilities to further a significant portion of their program services. In consideration of the lease, the Organization will make annual payments of \$ 1 through May 2030. In addition, the Organization is also responsible for any utilities, taxes, repairs, and maintenance in relation to these facilities. For the year ended December 31, 2022, the Organization recorded approximately \$ 11,000 of in-kind revenue and expense, related to the lease. The Organization donates this space to Villages through a lease agreement that expires in May 2030.

**Note 11 - Related Party Transactions (Note 1) (continued)**

During the year, the Organization received contributions and deferred revenue totaling approximately \$ 182,000 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 \$ 1,379,000, including promises to give, from various members (“members”) of the Board of Directors and its members related entities. Promises to give outstanding with members totaled approximately \$ 400,000 at December 31, 2022.

**Note 12 - Net Assets with Donor Restrictions**

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

Subject to the passage of time:	
Promises to give, net	\$ 1,521,180
Subject to expenditure for specified purpose:	
Construction	5,117,105
Student scholarships	<u>1,060,690</u>
Total	<u>\$ 7,698,975</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:	
Student scholarships	\$ <u>11,457</u>

**Note 13 - Designated Unrestricted Net Assets**

As of December 31, 2022, the Board of Directors had designated \$ 4,975,545 for funds to support the future operations of the Organization.

The Organization recognizes the following Board designated funds:

Paxson Endowment	\$ 1,876,284
The Stack Family Endowment	938,138
In Memory of Jesus Endowment	675,457
Brett Harris Weinstein Memorial Endowment	647,294
Anna Turri Endowment	694,551
Kazma Endowment	<u>143,821</u>
	<u>\$ 4,975,545</u>

**Note 13 - Designated Unrestricted Net Assets (continued)**

These funds have been invested as follows:

Common stocks	\$ 1,153,576
Equity and other mutual funds	1,886,629
Fixed income mutual funds	1,183,981
International equity funds	383,223
Alternatives and hedge funds	191,775
Cash and cash equivalents	<u>176,361</u>
	<u>\$ 4,975,545</u>

**Note 14 – Employee Benefit Plans**

**401(k) Plan:** Previously, the Organization entered into a safe harbor 401k plan offered to eligible employees. Employee contributions are based upon the amount of compensation each participant elects to defer yearly, which may be “before tax” and are limited only by certain provisions of the Internal Revenue Code. The Organization provides a 100% match of up to 4% of the employees’ eligible earnings. The total 401(k) plan expense for the Organization for the year ended December 31, 2022 amounted to approximately \$ 79,000. Subsequent to year end, the Organization amended the plan to increase the employer match to 5% of eligible earnings.

**Deferred Compensation Plan:** The Organization previously established a 457(f) non-qualified deferred compensation plan for certain highly compensated employees. Under the plan, the participants or their designated beneficiaries are 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. Total expense for the Plan for the year ended December 31, 2022 was \$ 40,000. As of December 31, 2022, the total amount approved by the Organization’s Board of Directors amounted to \$ 160,000.

**Note 15 - Supplemental Cash Flows Information**

Supplemental disclosure of cash flow information for noncash financing and investing activities are as follows:

Acquisition of property and equipment -	
Cost of property and equipment	\$ 7,043,751
Less contributed property and equipment	<u>(6,359,935)</u>
Cash paid for property and equipment	<u>\$ 683,816</u>
Acquisition of investments -	
Cost of investments	\$ 10,585,567
Less contributed investments	<u>(224,249)</u>
Cash paid for investments	<u>\$ 10,361,318</u>

**Note 16 – Acquisitions of Nonprofit Organizations**

On July 26, 2022, the Organization acquired certain assets of KidSanctuary Campus, Inc. (“KidSanctuary”). The Organization believes this will allow Place of Hope to continue to provide safe homes for abused, abandoned and neglected children. As a result of this transaction, the Organization obtained investments and real property from KidSanctuary totaling approximately \$ 4,546,000 and continues KidSanctuary’s operation of foster care housing in Palm Beach County, Florida. The amount received is reported as transfers from other nonprofit organizations in the accompanying statement of activities.

On February 28, 2022, the Organization acquired certain assets of Samaritan House for Boys, Inc. (“Samaritan House”). The Organization believes this will allow Place of Hope to continue to provide residential and early intervention programs for at risk children. As a result of this transaction, the Organization obtained real property from Samaritan House totaling approximately \$ 2,363,000 and paid off an existing mortgage totaling approximately \$ 250,000 and continues Samaritan House’s operation of foster care housing in Martin County, Florida. The net amount received is reported as transfers from other nonprofit organizations in the accompanying statement of activities.

**Note 17 - Subsequent Event**

Subsequent to year end, the Organization became a member of the Place of Hope Foundation, Inc. (the “Foundation”), a nonprofit entity formed for the purpose of supporting Villages, Treasures, and the Organization and transferred certain investments of the Organization to the Foundation.

Place of Hope, Inc.  
 Schedule of Expenditures of State Financial Assistance  
 For the Year Ended December 31, 2022

State Agency/Pass-through Entity State Project	CSFA Number	Contract/ Agreement Number	Expenditures	Transfers to Subrecipients
<b>State Agency Name:</b>				
Direct Projects:				
State of Florida Department of Children and Families -				
CBC-Sexually Exploited Children	60.138	IJ712	\$ 475,000	\$ -
Indirect Projects:				
State of Florida Department of Children and Families -				
Passed through ChildNet, Inc.				
Out-of-Home Supports	60.074	POH21NFH	255,172	-
	60.074	POH22NFH	<u>272,044</u>	<u>-</u>
			<u>527,216</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u><u>1,002,216</u></u>	\$ <u><u>-</u></u>

See notes to schedule of expenditures of state financial assistance.

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the grant activity of Place of Hope, Inc. (the "Organization") for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the financial statements. 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 Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, as applicable.

**Note 3 - Contingency**

The grants and contract 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, state, and local laws and other regulations.

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 nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2022, 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 August 23, 2023.

**Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain matters in internal control as described in the accompanying schedule of findings and questioned costs as item number 2022-01 to be a material weakness.

Place of Hope, Inc.

### **Report on 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 financial statements. 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*.

### **The Organization's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
August 23, 2023

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

To the Board of Directors  
Place of Hope, Inc.

**Report on Compliance for Each Major State Project**

***Opinion on Each Major State Project***

We have audited Place of Hope, Inc.'s (a nonprofit organization) (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *Florida Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major state projects for the year ended December 31, 2022. The Organization's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 state projects for the year ended December 31, 2022.

***Basis for Opinion on Each Major State Project***

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 Florida Auditor General*. Our responsibilities under those standards and Chapter 10.650, *Rules of the Florida Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions contracts or grant agreements applicable to the Organization's state projects.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Florida Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and Chapter 10.650, *Rules of the Florida Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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.

Place of Hope, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
August 23, 2023

**Place of Hope, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2022**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unmodified Opinion*

Internal control over financial reporting:

Material weakness(es) identified?        X   yes             no

Significant deficiency(ies) identified?             yes        X   no

Noncompliance material to financial statements noted?             yes        X   no

**State Projects**

Internal control over major state projects:

Material weakness(es) identified?             yes        X   no

Significant deficiency(ies) identified?             yes        X   no

Type of auditor's report issued on compliance for major state projects: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Florida Auditor General* ?             yes        X   no

Identification of major state project(s):

<u>CSFA No.</u>	<u>State Project(s)</u>
60.074	Florida Department of Children and Families - Out-of-Home Supports

Dollar threshold used to distinguish between Type A and Type B projects:      \$ 300,665

**SECTION II - FINANCIAL STATEMENTS RECOMMENDATIONS**

**2022-01: Staffing Levels and Year-End Closing Process**

*Criteria:* Enhanced annual closing procedures are essential to producing complete financial reports.

*Condition:* The Organization and its related entities have grown much larger and more complex over the past few years; consequently, the volume of transactions and the monthly/annual closing financial process have increased, and it is more involved. Post-closing adjusting journal entries were proposed by the audit team and management.

*Cause:* Existing year-end closing procedures can be enhanced to include the completeness of accrual adjustments.

*Effect:* The results were delays in producing account analysis with final adjustments to complete the annual financial statements.

*Recommendation:* We recommend the Organization assess the current level of staff needed by the Finance Department, which may include new personnel or outside contractors. We believe that the month and year-end closing process could improve by enhancing the existing closing procedures. Cross-training opportunities may assist the Organization during unexpected absences or turnover.

*Management Response:*

Prior to the audit, multiple positions have been posted to accommodate the growth of the Organization. The Organization has also explored options in retaining consultants. Due to the national talent shortage, it has taken longer to fill these roles.

**SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV - PRIOR YEAR AUDIT FINDINGS**

None reported.