

**PLACE OF HOPE, INC.**  
**FINANCIAL STATEMENTS**  
**AND ADDITIONAL INFORMATION**

December 31, 2014

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# FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Place of Hope, Inc.  
Palm Beach Gardens, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of Place of Hope, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Basis for Qualified Opinion**

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

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Place of Hope, Inc. as of December 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

  
KEEFE McCULLOUGH

PLACE OF HOPE, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2014

ASSETS

ASSETS:

Cash and cash equivalents	\$ 1,927,957
Investments	3,444,660
Grants and contracts receivable	441,082
Prepaid expenses	63,160
Due from related parties	740,619
Property and equipment, less accumulated depreciation of \$ 2,838,325	5,641,200
Deposits	<u>13,786</u>
 Total assets	 \$ <u><u>12,272,464</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 18,572
Accrued expenses	226,954
Deferred compensation	40,000
Deferred revenue	177,358
Due to related party	<u>14,417</u>
 Total liabilities	 <u>477,301</u>

NET ASSETS:

Unrestricted - undesignated	8,250,040
Unrestricted - designated (Note 12)	<u>3,545,123</u>
 Total net assets	 <u>11,795,163</u>
 Total liabilities and net assets	 \$ <u><u>12,272,464</u></u>

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

PLACE OF HOPE, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CHANGE IN NET ASSETS:</b>			
Operating revenue:			
Contributions	\$ 3,290,521	\$ -	\$ 3,290,521
Grants and contracts	2,564,163	-	2,564,163
Donated goods and services	119,959	-	119,959
Other operating revenues	<u>38,849</u>	<u>-</u>	<u>38,849</u>
Total operating revenue	<u>6,013,492</u>	<u>-</u>	<u>6,013,492</u>
Expenses:			
Operating expenses	5,251,486	-	5,251,486
Provision for depreciation	<u>300,415</u>	<u>-</u>	<u>300,415</u>
Total expenses	<u>5,551,901</u>	<u>-</u>	<u>5,551,901</u>
Net operating revenue	<u>461,591</u>	<u>-</u>	<u>461,591</u>
Nonoperating revenue (expense):			
Interest and dividend income	72,248	-	72,248
Realized/unrealized gain on investments	68,815	-	68,815
Net assets released from restrictions	<u>68,850</u>	<u>(68,850)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>209,913</u>	<u>(68,850)</u>	<u>141,063</u>
Change in net assets	671,504	(68,850)	602,654
NET ASSETS, January 1, 2014	<u>11,123,659</u>	<u>68,850</u>	<u>11,192,509</u>
NET ASSETS, December 31, 2014	\$ <u><u>11,795,163</u></u>	\$ <u><u>-</u></u>	\$ <u><u>11,795,163</u></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, 2014

	Supporting Services				Total
	Program Services	Management and General	Fund- raising	Total Supporting Services	
<b>PERSONNEL COSTS:</b>					
Salaries	\$ 1,997,351	\$ 119,296	\$ 253,522	\$ 372,818	\$ 2,370,169
Employee benefits and payroll taxes	444,089	26,524	56,368	82,892	526,981
Total personnel costs	2,441,440	145,820	309,890	455,710	2,897,150
<b>OTHER EXPENSES:</b>					
Residents support	422,150	-	-	-	422,150
Event expenses	308,327	38,541	38,541	77,082	385,409
Provision for depreciation	266,617	25,349	8,449	33,798	300,415
Insurance	265,382	27,997	3,680	31,677	297,059
Outreach	261,809	-	-	-	261,809
Promotional expenses	107,885	6,444	13,694	20,138	128,023
Repairs and maintenance	114,589	8,089	-	8,089	122,678
In-kind donations	104,532	15,427	-	15,427	119,959
Professional fees	63,161	38,477	-	38,477	101,638
Printing and reproductions	59,252	19,750	19,750	39,500	98,752
Office supplies and other	59,319	18,262	18,636	36,898	96,217
Utilities	86,116	3,658	3,001	6,659	92,775
Travel (program advancement)	49,333	-	-	-	49,333
Telephone	43,856	2,436	2,436	4,872	48,728
Bank charges and fees	24,066	24,066	-	24,066	48,132
Miscellaneous expenses	25,557	-	5,000	5,000	30,557
Training and development	17,093	950	950	1,900	18,993
Regulatory compliance	17,839	-	-	-	17,839
Licenses and permits	10,539	245	-	245	10,784
Dues and subscriptions	245	1,094	2,162	3,256	3,501
Total other expenses	2,307,667	230,785	116,299	347,084	2,654,751
Total expenses	\$ 4,749,107	\$ 376,605	\$ 426,189	\$ 802,794	\$ 5,551,901

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 602,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Provision for depreciation	300,415
Realized/unrealized gain on investments	(68,815)
Changes in assets and liabilities:	
Decrease in promises to give	68,850
Increase in grants and contracts receivable	(186,150)
Decrease in prepaid expenses	30,948
Increase in due from related parties	(186,716)
Decrease in accounts payable	(64,426)
Increase in accrued expenses	42,663
Increase in deferred revenue	107,684
Increase in due to related party	14,417
	<u>661,524</u>
Net cash provided by operating activities	<u>661,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and purchases of investments, net	(1,177,041)
Purchases of property and equipment	(120,146)
	<u>(1,297,187)</u>
Net cash used in investing activities	<u>(1,297,187)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on line of credit	(50,000)
	<u>(50,000)</u>
Net cash used in financing activities	<u>(50,000)</u>
Net decrease in cash and cash equivalents	(685,663)
CASH AND CASH EQUIVALENTS, January 1, 2014	<u>2,613,620</u>
CASH AND CASH EQUIVALENTS, December 31, 2014	\$ <u><u>1,927,957</u></u>

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

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS

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

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

The Organization contracts with ChildNet, Inc. through the State of Florida Department of Children and Families, and the Palm Beach County Board of County Commissioners to provide residential group care, a maternity home, emergency shelter and adoption/foster care services; and plans to pursue other federal, state, and social service agency grants and contracts. The main campus consists of six licensed family cottages (group homes); a licensed emergency cottage; an administration/community outreach center building; and a respite home for the cottage parents. The Organization is currently licensed to care for up to sixty-six (66) children on a daily basis.

- The Organization serves thirty-six (36) children daily in six "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.
- In December 2012, the Organization partnered with KidSanctuary Campus, Inc. ("Kid"), a Florida not-for-profit organization, to provide services at a remote location for up to twelve (12) additional children using the Enhanced Residential Care Model previously discussed.
- The Seven Stars Cottage, Palm Beach County's first and only faith-based, family-style emergency shelter, opened to care for up to eight (8) boys, ages six to eighteen, during crisis situations, immediately following removal from their homes by the authorities.
- Joann's Cottage (Maternity Home), a shelter located at the campus of Village of Hope of Palm Beach County, Inc. (Note 8), includes up to ten (10) private rooms to be used as a maternity home for mothers.
- The Organization is also approved as a licensed child placing and adoption agency by the State of Florida Department of Children and Families. The Organization is able to recruit, train, and support potential foster and adoptive parents and see the children through the placement process.

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 1 - ORGANIZATION AND OPERATIONS (continued)

- The Organization provides a transition to independence program (Ages to Ages), a series of required courses and life experiences through which the children obtain the skills they will need, such as budgeting, nutrition, parenting, interviewing, and etiquette as they “age out” of foster care.

The Organization partners with its affiliate organizations Village of Hope of Palm Beach County, Inc. (“Village”), Treasures for Hope, Inc. (“Treasures”), Thousand Hills Holding Company, Inc. (“Thousand Hills”), and The Place of Hope at the Haven Campus, Inc. (“Haven”) (Notes 8 and 14). Village, a not-for-profit entity incorporated in 2006, provides a residential campus which may serve up to eighteen (18) young adults on a daily basis who have “aged out” (eighteen years old) of the foster care system or who are otherwise found homeless. Treasures, a not-for-profit entity incorporated in 2012, operates a charity store which sells second-hand items, to support the activities of the Organization and Village. Thousand Hills, a not-for-profit entity incorporated in 2012, provides independent living residential support and essential life-skills development for minor girls in crisis. Haven, a not-for-profit entity incorporated in 2013, primarily provides family-style residential foster care for sibling groups and other special needs youth in foster care, residential programs for those who have “aged out”, as well as other related services, in the South Palm Beach County area, similar to those services provided by the Organization and Village.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under FASB ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Noncash contributions are recorded at their estimated fair value on the date received.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization had no temporarily or permanently restricted net assets as of December 31, 2014.

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. The Organization routinely maintains cash balances at a financial institution which may exceed federally insured amounts. These amounts are maintained with what management believes to be a quality financial institution.

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments:

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

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization had no unconditional or conditional promises to give as of December 31, 2014.

Allowance for doubtful accounts:

Management periodically reviews the grants and contracts receivable balance and provides an allowance for accounts which may be uncollectible. At December 31, 2014, management considered the grants and contracts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

Property and equipment:

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

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

Donations of property and equipment are reported as unrestricted support 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 restricted support. 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 temporarily restricted net assets to unrestricted net assets at that time.

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

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue:

Revenues from special events that are considered exchange transactions are deferred until the special event takes place.

Grants and contracts revenue:

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

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses as well as other estimates provided by management.

Joint costs of fundraising appeals:

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

Use of estimates:

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

Date of management's review:

Subsequent events have been evaluated by management through May 8, 2015, which is the date the financial statements were available for issuance.

NOTE 3 - 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, Palm Beach County 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. As of December 31, 2014, no amounts are known to be owed to grantor agencies.

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 4 - INVESTMENTS

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

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

The level in the fair value hierarchy within which a fair measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table represents the investments as held by the Organization at December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 1,109,350	\$ -	\$ -	\$ 1,109,350
Equity and other mutual funds	708,036	-	-	708,036
Corporate bonds and bond funds	374,616	186,520	-	561,136
Fixed income mutual funds	309,227	103,370	-	412,597
International equity funds	347,008	-	-	347,008
Other mutual funds:				
Alternatives-hedge funds	239,255	-	-	239,255
Real estate investment trust	<u>67,278</u>	<u>-</u>	<u>-</u>	<u>67,278</u>
Total	<u>\$ 3,154,770</u>	<u>\$ 289,890</u>	<u>\$ -</u>	<u>\$ 3,444,660</u>

The input or methodology used for valuing securities is not necessarily an indicator of risk associated with investing in those securities.

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

Interest and dividend income	\$ 72,248
Realized/unrealized gain on investments	<u>68,815</u>
	<u>\$ 141,063</u>

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

Buildings and improvements	\$	5,005,106
Land improvements		1,241,330
Furniture and fixtures		471,662
Vehicles		407,824
Office equipment		144,614
Machinery and equipment		93,789
		7,364,325
Less accumulated depreciation		2,838,325
		4,526,000
Land		1,115,200
	\$	5,641,200

Certain grant revenue has been previously awarded to the Organization for the purpose of improving existing real estate. 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 6 - DONATED GOODS AND SERVICES

The Organization receives donated goods and services, paying for most services requiring specific expertise. However, a number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as revenue and as an expense, or as property and equipment, depending on the nature of the services provided. For the year ended December 31, 2014, the Organization recorded as a revenue and as an expense \$ 119,959, of which \$ 104,532 is related to program services and \$ 15,427 is related to professional services (management and general).

NOTE 7 - LINES OF CREDIT

The Organization has available a revolving term note agreement with a financial institution, in the principal amount of \$ 750,000, for working capital needs which expires in October 2015. Outstanding balances under the line of credit agreement bear interest at the prevailing Wall Street Journal prime rate plus 1.00% but with a minimum rate of 4.25% (4.25% at December 31, 2014). The revolving term note is secured by a commercial mortgage, security agreement and an assignment of leases and rents on the real property of the Organization. As of December 31, 2014, there was no outstanding balance on the credit facility.

In addition, the Organization also had available a revolving term note agreement with a financial institution, in the principal amount of \$ 1,000,000, for working capital needs, which expired in February 2015. Outstanding balances under the line of credit agreement bear interest at the prevailing LIBOR rate plus 3.61% (3.77% at December 31, 2014). This revolving term note agreement is collateralized by a security interest in all assets now owned and subsequently acquired by the Organization. As of December 31, 2014, there was no outstanding balance on the credit facility. The Organization intends to renew this credit facility during 2015.

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 8 - RELATED PARTY TRANSACTIONS (NOTE 1)

The Organization is related to Village through common board members and management. The Organization also provides support in the form of donated services and contributions for the general operations of Village. The Organization provided in-kind services of approximately \$ 89,000 and contributed approximately \$ 250,000 to Village during the year ended December 31, 2014. In addition, as of December 31, 2014, the Organization had an amount due to Village amounting to \$ 14,417, 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 \$ 69,000 to Treasures during the year ended December 31, 2014. In addition, as of December 31, 2014, the Organization had an amount due from Treasures amounting to \$ 528,081, related to start-up costs and other short-term working capital needs. This amount bears no interest and there is no established repayment schedule. Furthermore, the Organization is the guarantor of a real estate mortgage note payable by Treasures. At December 31, 2014 the balance of the real estate mortgage note payable was approximately \$ 1,071,000. The estimated future payments related to this mortgage are approximately \$ 1,340,000, including interest of approximately \$ 269,000, at a fixed interest rate of 4.50%. The mortgage note payable matures in June 2022.

The Organization is related to Thousand Hills through common board members and management. The Organization also provides support in the form of donated services and contributions for the general operations of Thousand Hills. The Organization provided in-kind services of approximately \$ 77,000 to Thousand Hills during the year ended December 31, 2014. In addition, as of December 31, 2014, the Organization had an amount due from Thousand Hills amounting to \$ 1,837, related to expense reimbursements. This amount bears no interest and there is no established repayment schedule.

The Organization is related to Haven through common board members and management. The Organization also provides support in the form of donated services and contributions for the general operations of Haven. The Organization provided in-kind services of approximately \$ 73,000 to Haven during the year ended December 31, 2014. In addition, as of December 31, 2014, the Organization had an amount due from Haven amounting to \$ 210,701 for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

During the year, the Organization received contributions totaling \$ 125,000 from Palm Beach Gardens Christ Fellowship Church, Inc. ("Christ Fellowship"). The Organization and Christ Fellowship are related through certain common board members.

Various members of the Board of Directors contributed approximately \$ 240,000 to the Organization.

NOTE 9 - 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.



PLACE OF HOPE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2014

NOTE 10 - RETIREMENT PLAN

The Organization's SIMPLE IRA retirement plan is available to all employees who have worked for the Organization for at least one year and have earned or are expected to earn a specified minimum salary. For the year ended December 31, 2014, the Organization contributed approximately \$ 30,000 to this Plan.

NOTE 11 - DEFERRED COMPENSATION PLAN

The Organization previously established a 457(f) non-qualified deferred compensation plan on behalf of its Executive Director. Under the Plan, the Executive Director or his designated beneficiary is entitled to receive a single lump sum payment of all benefits upon the Organization's change of control or employee's total and permanent disability or death. Previously, the Organization's Board of Directors had approved total benefits in the aggregate amounting to \$ 40,000. No additional contributions were made to the deferred compensation plan for the year ended December 31, 2014.

NOTE 12 - DESIGNATED UNRESTRICTED NET ASSETS

As of December 31, 2014, the Board of Directors had designated \$ 3,545,123 for endowments to support the future operations of the Organization.

The Organization recognizes the following Board designated endowment funds:

BMO Investment Endowment	\$	1,112,140
Paxson Endowment		775,566
Anna Turri Endowment		447,155
Brett Harris Weinstein Memorial Endowment		440,080
The Stack Family Endowment		387,781
In Memory of Jesus Endowment		279,203
Community Outreach Endowment		103,198
		1,112,140
	\$	3,545,123

These funds have been invested as follows:

Common stocks	\$	1,108,507
Equity and other mutual funds		665,610
Corporate bonds and bond funds		561,136
Fixed income mutual funds		412,597
International equity funds		347,008
Cash and cash equivalents		143,732
Other mutual funds:		
Alternatives-hedge funds		239,255
Real estate investment trust		67,278
		67,278
	\$	3,545,123

PLACE OF HOPE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2014

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash received during the year for -		
Interest and dividend income	\$	72,248

NOTE 14 - COMBINATION OF RELATED PARTY ENTITIES

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

Summarized financial information for Village as of and for the year ended December 31, 2014 is as follows:

Total assets	\$	3,127,409
Total liabilities		<u>101,259</u>
Total net assets	\$	<u>3,026,150</u>
Total change in net assets	\$	<u>(22,068)</u>

Summarized financial information for Treasures as of and for the year ended December 31, 2014 is as follows:

Total assets	\$	2,258,775
Total liabilities		<u>1,718,132</u>
Total net assets	\$	<u>540,643</u>
Total change in net assets	\$	<u>219,602</u>

Summarized financial information for Thousand Hills as of and for the year ended December 31, 2014 is as follows:

Total assets	\$	109,233
Total liabilities		<u>17,766</u>
Total net assets	\$	<u>91,467</u>
Total change in net assets	\$	<u>(327,236)</u>

PLACE OF HOPE, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

NOTE 14 - COMBINATION OF RELATED PARTY ENTITIES (continued)

Summarized financial information for Haven as of and for the year ended December 31, 2014 is as follows:

Total assets	\$ 4,965,084
Total liabilities	<u>339,096</u>
Total net assets	\$ <u><u>4,625,988</u></u>
Total change in net assets	\$ <u><u>1,320,920</u></u>

Reference should be made to Note 8 for details of the current year transactions between the Organization, Village, Treasures, Thousand Hills, and Haven. Also, reference should be made to the financial statements of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc., Thousand Hills Holding Company, Inc., and The Place of Hope at the Haven Campus, Inc. as to which the independent auditor's reports are dated May 8, 2015.

## SUPPLEMENTAL INFORMATION

PLACE OF HOPE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
For the Year Ended December 31, 2014

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Indirect Programs:				
Department of Health and Human Services - Passed through the State of Florida				
Department of Children and Families Passed through ChildNet, Inc.				
Foster Care-Title IV-E	93.658	POH14RGC	\$ 514,426	\$ -
	93.658	POH13RGC	401,162	-
	93.658	POH13SHL	76,923	-
	93.658	POH13FHM	41,850	-
	93.658	POH14FHM	32,312	-
			<u>1,066,673</u>	<u>-</u>
Social Services Block Grant	93.667	POH13RGC	262,685	-
	93.667	POH14RGC	275,681	-
	93.667	POH13SHL	50,369	-
			<u>588,735</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558	POH13FHM	62,345	-
	93.558	POH14FHM	48,193	-
	93.558	POH14ADP	1,221	-
	93.558	POH13ADP	851	-
			<u>112,610</u>	<u>-</u>
Adoption Assistance	93.659	POH13FHM	31,208	-
	93.659	POH14FHM	24,106	-
	93.659	POH14ADP	20,119	-
	93.659	POH13ADP	14,019	-
			<u>89,452</u>	<u>-</u>

PLACE OF HOPE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
(continued)  
For the Year Ended December 31, 2014

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
FEDERAL AGENCY NAME:				
Indirect Programs (continued):				
Promoting Safe and Stable Families	93.556	POH13FHM	871	-
	93.556	POH14FHM	674	-
			<u>1,545</u>	<u>-</u>
Stefanie Tubbs Jones Child Welfare Services Program	93.645	POH13FHM	6,888	-
	93.645	POH14FHM	5,325	-
			<u>12,213</u>	<u>-</u>
Department of Housing and Urban Development - Passed through Palm Beach County, Florida Community Development Block Grants/ Entitlement Grants	14.218	R2013-1264	7,624	-
	14.218	R2014-1475	3,752	-
			<u>11,376</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u><u>1,882,604</u></u>	\$ <u><u>-</u></u>

PLACE OF HOPE, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
(continued)  
For the Year Ended December 31, 2014

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
STATE AGENCY NAME:				
Indirect Programs:				
State of Florida Department of Children and Families -				
Passed through ChildNet, Inc.				
Community Based Care (CBC)				
Supports				
	60.094	POH13RGC	\$ 211,543	\$ -
	60.094	POH13SHL	<u>40,563</u>	<u>-</u>
			252,106	-
In Home Supports				
	60.075	POH14RGC	251,778	-
	60.075	POH13FHM	27,990	-
	60.075	POH14FHM	<u>55,773</u>	<u>-</u>
			335,541	-
Out of Home Supports				
	60.074	POH14FHM	21,639	-
	60.074	POH13FHM	<u>72,273</u>	<u>-</u>
			<u>93,912</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u><u>681,559</u></u>	\$ <u><u>-</u></u>

PLACE OF HOPE, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND STATE FINANCIAL ASSISTANCE  
For the Year Ended December 31, 2014

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes the grant activity of the Organization. The information in the Schedule of Expenditures of Federal Awards and State Financial Assistance is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 - CONTINGENCY

Grants and contracts revenue is 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 expenditures are in compliance with the terms of the grant/contract agreements and applicable federal and state laws and other regulations.



# INTERNAL CONTROLS AND COMPLIANCE

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

To the Board of Directors  
Place of Hope, Inc.  
Palm Beach Gardens, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Place of Hope, Inc. (the "Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, 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 May 8, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Place of Hope, Inc.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
May 8, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND  
CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

To the Board of Directors  
Place of Hope, Inc.  
Palm Beach Gardens, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited Place of Hope, Inc.'s (the "Organization") (a not-for-profit organization) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended December 31, 2014. Place of Hope, Inc.'s major federal program and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Place of Hope, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133 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 federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

## Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2014.

## Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and/or 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 federal program and/or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program and/or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

*Keefe McCullough*  
KEEFE McCULLOUGH

Fort Lauderdale, Florida  
May 8, 2015

PLACE OF HOPE, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2014

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Place of Hope, Inc. with the exception of not combining the accounts of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc., Thousand Hills Holding Company, Inc., and The Place of Hope at the Haven Campus, Inc. as noted in Note 14 of the financial statements.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Place of Hope, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program and state projects are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major federal program and state projects for Place of Hope, Inc. expresses an unmodified opinion.
6. There are no findings relative to the major federal program and state projects for Place of Hope, Inc. reported in Part C of this schedule.
7. The program/projects tested as major program/projects are as follows:

<b>Federal Program:</b>	<b>Federal CFDA No.</b>
United States Department of Health and Human Services, Foster Care - Title IV-E	93.658
<b>State Projects:</b>	<b>State CSFA No.</b>
State of Florida Department of Children and Families, Community Based Care (CBC) Supports In Home Supports	60.094 60.075

8. The threshold for distinguishing Type A and B programs/projects was \$ 300,000 for federal programs and \$ 204,468 for state projects.
9. Place of Hope, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

No matters were reported.

PLACE OF HOPE, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)  
For the Year Ended December 31, 2014

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AUDITS**

No matters were reported.

**D. OTHER ISSUES**

A separate management letter was not issued because there were no findings required to be reported in the management letter.

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs or state projects.

No corrective action plan is required because there were no findings reported under OMB Circular A-133 and the Florida Single Audit act.