

Place of Hope, Inc.

Financial Statements
and Additional Information
For the Year Ended December 31, 2017

Place of Hope, Inc.

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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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 12 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. d/b/a The Place of Hope at the Leighan and David Rinker Campus, which are related parties to the Organization. The related parties and the Organization have been identified by management as meeting the requirements for the presentation of combined financial statements as required by accounting principles generally accepted in the United States of America; however, these financial statements are not presented on a combined basis. In our opinion, the Organization's financial statements should include the accounts of these related parties to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Florida Single Audit Act, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2018, 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
May 24, 2018

FINANCIAL STATEMENTS

Place of Hope, Inc.
Statement of Financial Position
December 31, 2017

Assets:

Cash and cash equivalents	\$	1,939,704
Investments		6,270,125
Grants and contracts receivable		430,867
Prepaid expenses		98,156
Due from related parties		1,413,193
Property and equipment, net		9,909,805
Deposits		<u>19,564</u>

Total assets \$ 20,081,414

Liabilities:

Accounts payable	\$	75,517
Accrued expenses		250,883
Deferred compensation		40,000
Due to related parties		7,240
Deferred revenue		<u>287,873</u>

Total liabilities 661,513

Net Assets:

Unrestricted - undesignated		15,210,839
Unrestricted - designated (Note 11)		2,913,895
Temporarily restricted		<u>1,295,167</u>

Total net assets 19,419,901

Total liabilities and net assets \$ 20,081,414

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenues:			
Contributions	\$ 5,318,251	\$ 1,141,300	\$ 6,459,551
Grants and contracts	3,764,606	-	3,764,606
Donated goods and services	138,538	-	138,538
Other operating revenues	16,413	-	16,413
	<u>9,237,808</u>	<u>1,141,300</u>	<u>10,379,108</u>
Total public support and revenues			
Net assets released from restrictions	<u>339,686</u>	<u>(339,686)</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>9,577,494</u>	<u>801,614</u>	<u>10,379,108</u>
Expenses:			
Program services	<u>5,334,667</u>	<u>-</u>	<u>5,334,667</u>
Supporting services:			
Fundraising	996,696	-	996,696
Management and general	<u>328,657</u>	<u>-</u>	<u>328,657</u>
	<u>1,325,353</u>	<u>-</u>	<u>1,325,353</u>
Total supporting services			
Total expenses	<u>6,660,020</u>	<u>-</u>	<u>6,660,020</u>
Net operating revenue	<u>2,917,474</u>	<u>801,614</u>	<u>3,719,088</u>
Nonoperating revenues:			
Interest and dividend income, net	147,503	-	147,503
Net realized and unrealized gains on investments	<u>807,631</u>	<u>-</u>	<u>807,631</u>
	<u>955,134</u>	<u>-</u>	<u>955,134</u>
Total nonoperating revenues			
Change in net assets	3,872,608	801,614	4,674,222
Net Assets, beginning of year	<u>14,252,126</u>	<u>493,553</u>	<u>14,745,679</u>
Net Assets, end of year	<u>\$ 18,124,734</u>	<u>\$ 1,295,167</u>	<u>\$ 19,419,901</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, 2017

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel Costs:				
Salaries	\$ 2,590,976	\$ 100,575	\$ 347,781	\$ 3,039,332
Employee benefits and payroll taxes	480,459	18,650	64,491	563,600
Total personnel costs	<u>3,071,435</u>	<u>119,225</u>	<u>412,272</u>	<u>3,602,932</u>
Other Expenses:				
Event and activity expenses	107,582	26,169	447,775	581,526
Provision for depreciation	333,150	36,365	12,122	381,637
Residents support	360,086	-	-	360,086
Office supplies and other	158,727	32,262	32,262	223,251
Outreach	204,900	-	-	204,900
Insurance	179,509	17,017	5,436	201,962
Repairs and maintenance	163,334	8,776	-	172,110
Promotional expenses	120,158	4,664	16,129	140,951
Utilities	135,931	1,618	-	137,549
Professional fees	77,009	28,610	31,218	136,837
Printing and reproduction	55,648	10,118	35,413	101,179
In-kind donations	88,538	-	-	88,538
Miscellaneous expenses	84,812	-	-	84,812
Bank charges and fees	39,263	39,262	-	78,525
Travel (program advancement)	69,065	-	-	69,065
Training and development	24,919	1,311	-	26,230
Regulatory compliance	20,000	-	-	20,000
Telephone	17,519	973	973	19,465
Licenses and permits	16,691	1,607	-	18,298
Dues and subscriptions	6,228	680	3,096	10,004
Recruitment	163	-	-	163
Total other expenses	<u>2,263,232</u>	<u>209,432</u>	<u>584,424</u>	<u>3,057,088</u>
Total expenses	<u>\$ 5,334,667</u>	<u>\$ 328,657</u>	<u>\$ 996,696</u>	<u>\$ 6,660,020</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, 2017

Cash Flows from Operating Activities:

Change in net assets	\$ 4,674,222
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	381,637
Net realized and unrealized (gains) losses on investments	(807,631)
Donated property and equipment	(50,000)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grants and contracts receivable	472
Prepaid expenses	40,793
Due from related parties	(412,101)
Deposits	(5,778)
Increase (decrease) in liabilities:	
Accounts payable	(123,331)
Accrued expenses	(22,954)
Due to related parties	7,240
Deferred revenue	10,045
	<u>3,692,614</u>
Net cash provided by (used in) operating activities	<u>3,692,614</u>

Cash Flows from Investing Activities:

Proceeds from sales and purchases of investments, net	(415,864)
Purchases of property and equipment	<u>(3,870,401)</u>
Net cash provided by (used in) investing activities	<u>(4,286,265)</u>
Net increase (decrease) in cash and cash equivalents	(593,651)

Cash and Cash Equivalents, beginning of year 2,533,355

Cash and Cash Equivalents, end of year \$ 1,939,704

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

Note 1 - Organization and Operations

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

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

The Organization contracts with ChildNet, Inc. and Devereux Community Based Care of Okeechobee and the Treasure Coast, 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 seventy-four (74) children on a daily basis.

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

Note 1 - Organization and Operations (continued)

- The Organization provides an enrichment and transition to independence program, a series of counseling and programs through which the children work through trauma; explore life and career opportunities; participate in nutrition, fitness, budgeting, parenting, interviewing, and more classes; and establish mentors as they “age out” of foster care.

The Organization 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. d/b/a The Place of Hope at the Leighan and David Rinker Campus (“Haven”) (Notes 8 and 12). 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.

Temporarily restricted net assets consist of contributions restricted for on-going construction projects of the Organization.

The Organization had no permanently restricted net assets as of December 31, 2017.

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 financial institutions which may exceed federally insured amounts. These amounts are maintained with what management believes to be quality financial institutions.

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, 2017.

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, 2017, management considered the grants and contracts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

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

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

Donations of property and equipment are reported as 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.

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

Grants and contracts revenue: Grants and contracts revenue 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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

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

Date of management's review: Management has evaluated subsequent events through May 24, 2018, 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, 2017, no amounts are known to be owed to grantor agencies.

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.

Note 4 - Investments (continued)

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

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

The following table represents the investments as held by the Organization at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and other mutual funds	\$ 2,597,857	\$ -	\$ -	\$ 2,597,857
Common stocks	1,305,573	-	-	1,305,573
Fixed income mutual funds	398,089	115,340	-	513,429
Corporate bonds and bond funds	760,261	-	-	760,261
International equity funds	704,777	-	-	704,777
Other mutual funds:				
Alternatives-hedge funds	202,560	-	-	202,560
Community Foundation fund	-	139,065	-	139,065
Real estate investment trust	<u>46,603</u>	<u>-</u>	<u>-</u>	<u>46,603</u>
Total	<u>\$ 6,015,720</u>	<u>\$ 254,405</u>	<u>\$ -</u>	<u>\$ 6,270,125</u>

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

Interest and dividend income, net	\$ 147,503
Net realized/unrealized gains (losses)	<u>807,631</u>
	<u>\$ 955,134</u>

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31, 2017:

Buildings and improvements	\$	7,828,943
Land improvements		1,313,563
Furniture, fixtures, and office equipment		484,981
Vehicles		470,902
Machinery and equipment		271,121
		<u>10,369,510</u>
Less: accumulated depreciation		<u>3,427,412</u>
		6,942,098
Land		2,354,356
Construction in progress		<u>613,351</u>
	\$	<u><u>9,909,805</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.

Construction commitments: The Organization previously entered into an agreement with a contractor to construct a multifamily residential apartment building. The contracted price amounted to \$ 1,900,000 of which approximately \$ 51,000 had been spent as of December 31, 2017. The costs of construction are expected to be reimbursed by the State of Florida.

Note 6 - Donated Goods and Services

The Organization receives donated goods and services, paying for most services requiring specific expertise. A number of volunteers have donated their time in certain of the Organization's program service areas, fundraising activities and efforts to solicit charitable contributions. Because of the difficulty in determining the number of hours for such services, those items are not disclosed in the accompanying financial statements. However, when the value of donated services requires specific expertise, they are recorded in the financial statements as revenue and as an expense, or as property and equipment, depending on the nature of the services provided. For the year ended December 31, 2017, the Organization capitalized \$ 50,000 in donated goods and services relating to construction and development of their facilities and recorded as a revenue and as an expense \$ 88,538, of which the full amount is related to program services.

Note 7 - Line of Credit

The Organization has a \$ 500,000 revolving line of credit from a bank expiring June 2019. The line of credit bears a variable interest rate of the Prime Rate less 1.250 % (3.250 % at December 31, 2017). The line of credit is collateralized by certain assets of the Organization. The Organization did not have an outstanding balance on this line of credit at December 31, 2017.

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 \$ 79,000 and contributed approximately \$ 50,000 to Village during the year ended December 31, 2017. In addition, as of December 31, 2017, the Organization had an amount due to Village amounting to \$ 1,251, related to current 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 \$ 94,000 to Treasures during the year ended December 31, 2017. In addition, as of December 31, 2017, the Organization had an amount due from Treasures amounting to \$ 610,570, related to start-up costs and other current expense reimbursements. This amount bears no interest and there is no established repayment schedule. Furthermore, the Organization is the guarantor of a real estate mortgage note payable by Treasures. At December 31, 2017, the balance of the real estate mortgage note payable was approximately \$ 735,000. The estimated future payments related to this mortgage are approximately \$ 847,000, including interest of approximately \$ 112,000, 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 for the general operations of Thousand Hills. The Organization provided in-kind services of approximately \$ 122,000 to Thousand Hills during the year ended December 31, 2017. In addition, as of December 31, 2017, the Organization had an amount due to Thousand Hills amounting to \$ 5,989, related to current 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 \$ 39,000 and contributed approximately \$ 150,000 to Haven during the year ended December 31, 2017. The Organization received grant funding from the State of Florida Department of Children and Families that was passed through from Haven amounting to \$ 633,675 during the year ended December 31, 2017. In addition, as of December 31, 2017, the Organization had an amount due from Haven amounting to \$ 802,623 for expense reimbursements. This amount bears no interest and there is no established repayment schedule.

During the year, the Organization received contributions totaling approximately \$ 163,000 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 total approximately \$ 633,000 from various members ("members") of the Board of Directors and its members related entities.

Note 9 - 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, 2017, the Organization contributed approximately \$ 44,000 to this plan.

Note 10 - 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 approved and made to the deferred compensation plan for the year ended December 31, 2017.

Note 11 - Designated Unrestricted Net Assets

As of December 31, 2017, the Board of Directors had designated \$ 2,913,895 for endowments to support the future operations of the Organization.

The Organization recognizes the following Board designated endowment funds:

Paxson Endowment	\$ 915,160
Anna Turri Endowment	551,406
Brett Harris Weinstein Memorial Endowment	546,930
The Stack Family Endowment	457,578
In Memory of Jesus Endowment	329,456
Community Outreach Endowment	<u>113,365</u>
	<u>\$ 2,913,895</u>

These funds have been invested as follows:

Equity and other mutual funds	\$ 1,139,099
Common stocks	540,154
Corporate bonds and bond funds	414,650
International equity funds	308,637
Fixed income mutual funds	301,948
Cash and cash equivalents	114,045
Other mutual funds:	
Alternatives-hedge funds	77,750
Real estate investment trust	<u>17,612</u>
	<u>\$ 2,913,895</u>

Note 12 - Combination of Related Party Entities (Note 1)

FASB Accounting Standards Codification (ASC) 958-810-25-3 for Not-for-Profit Organizations requires combination of related party financial statements if one of the related parties has (1) control through a majority voting interest, and (2) economic interest. The Organization, Village, Treasures, 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, 2017, is as follows:

Total assets	\$	2,896,704
Total liabilities		<u>32,870</u>
Total net assets	\$	<u><u>2,863,834</u></u>
Total change in net assets	\$	<u><u>(86,719)</u></u>

Summarized financial information for Treasures, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$	2,159,839
Total liabilities		<u>1,354,979</u>
Total net assets	\$	<u><u>804,860</u></u>
Total change in net assets	\$	<u><u>43,708</u></u>

Summarized financial information for Thousand Hills, as of and for the year ended December 31, 2017 is as follows:

Total assets	\$	106,713
Total liabilities		<u>35,005</u>
Total net assets	\$	<u><u>71,708</u></u>
Total change in net assets	\$	<u><u>(141,715)</u></u>

Note 12 - Combination of Related Party Entities (Note 1) (continued)

Summarized financial information for Haven, as of and for the year ended December 31, 2017, is as follows:

Total assets	\$	9,603,058
Total liabilities		<u>1,145,511</u>
Total net assets	\$	<u>8,457,547</u>
Total change in net assets	\$	<u>2,125,454</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. d/b/a The Place of Hope at the Leighan and David Rinker Campus as to which the independent auditor's reports are dated May 24, 2018.

Note 13 - Supplemental Cash Flows Information

Cash received during the year for - Interest and dividend income, net	\$	147,503
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SUPPLEMENTAL INFORMATION

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 For the Year Ended December 31, 2017

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. (POH Contracts), Devereux Community Based Care of Okeechobee and the Treasure Coast, Inc. (DCBC Contracts), and the Big Bend Community Based Care, Inc. (BBCBC Contracts)				
Foster Care-Title IV-E	93.658	POH16RGC	\$ 613,333	\$ -
	93.658	POH17RGC	558,064	-
	93.658	DCBC18-317	271,620	-
	93.658	DCBC17-317	200,510	-
	93.658	POH17FHM	155,794	-
	93.658	POH16FHM	142,325	-
	93.658	BBCBC	<u>32,655</u>	-
			<u>1,974,301</u>	<u>-</u>
Social Services Block Grant	93.667	POH17RGC	183,872	-
	93.667	POH16RGC	159,115	-
	93.667	DCBC18-317	60,297	-
	93.667	DCBC17-317	44,511	-
	93.667	BBCBC	<u>8,680</u>	-
			<u>456,475</u>	<u>-</u>

Place of Hope, Inc.
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
For the Year Ended December 31, 2017

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):				
Temporary Assistance for Needy Families	93.558	POH16FHM	66,183	-
	93.558	POH17FHM	58,986	-
	93.558	DCBC18-317	32,189	-
	93.558	DCBC17-317	23,762	-
			<u>181,120</u>	<u>-</u>
Adoption Assistance	93.659	POH17FHM	32,858	-
	93.659	POH16FHM	32,150	-
	93.659	DCBC18-317	18,731	-
	93.659	DCBC17-317	13,827	-
			<u>97,566</u>	<u>-</u>
Stefanie Tubbs Jones Child Welfare Services Program	93.645	POH16FHM	13,735	-
	93.645	POH17FHM	13,109	-
	93.645	DCBC18-317	6,048	-
	93.645	DCBC17-317	4,465	-
			<u>37,357</u>	<u>-</u>
Promoting Safe and Stable Families	93.556	POH17FHM	1,688	-
	93.556	POH16FHM	1,541	-
	93.556	DCBC18-317	822	-
	93.556	DCBC17-317	607	-
			<u>4,658</u>	<u>-</u>

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2017

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):				
Department of Housing and Urban Development - Passed through Palm Beach County, Florida Community Development Block Grants/ Entitlement Grants	14.218	R2016-1502	10,808	-
	14.218	R2017-1473	4,296	-
			<u>15,104</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>2,766,581</u>	\$ <u>-</u>
State Agency Name:				
Direct Projects:				
State of Florida Department of Children and Families - CBC - Sexually Exploited Children	60.138	IJ708	100,000	-
Place of Hope Haven Campus	60.121	WC030	252,279	-

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2017

<u>Federal/State Agency, Pass-through Entity Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
State Agency Name:				
Indirect Projects:				
State of Florida Department of Children and Families -				
Passed through The Place of Hope at the Haven Campus, Inc.				
Place of Hope Haven Campus	60.121	WC007	633,675	-
Passed through ChildNet, Inc.				
CBC - Sexually Exploited Children	60.138	POH17RGC	11,310	-
	(1) 90.XXX	POH16FHM	<u>761</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u>998,025</u>	\$ <u>-</u>

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

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

Place of Hope, Inc.
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
December 31, 2017

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (collectively referred to the "Schedule") includes the federal and state assistance of Place of Hope, Inc. (the "Organization") under programs of the federal and state government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, and in Chapter 10.650, *Rules of the Auditor General*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

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

Note 4 - Contingency

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

Note 5 - Related Party Transactions

The Organization received grant funding from the State of Florida Department of Children and Families that was passed through from Haven amounting to \$ 633,675 during the year ended December 31, 2017 (Note 8).

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. (a not-for-profit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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 24, 2018.

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 the Organization'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 24, 2018

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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited Place of Hope, Inc.'s (a not-for-profit organization) (the "Organization") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended December 31, 2017. The Organization major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.650, *Rules of the Florida Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and/or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and/or 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 the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
May 24, 2018

**Place of Hope, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2017**

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. d/b/a The Place of Hope at the Leighan and David Rinker Campus, as noted in Note 12 of the financial statements.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Place of Hope, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program and state project are reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Florida Auditor General*.
5. The auditor’s report on compliance for the major federal program and state project for Place of Hope, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program and state project for Place of Hope, Inc. reported in Part C of this schedule.
7. The program/project tested as major program/project are as follows:

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

8. The threshold for distinguishing Type A and Type B for federal programs was \$ 750,000. The threshold for distinguishing Type A and Type B for state projects was \$ 300,000.
9. Place of Hope, Inc. was determined not to be a low-risk auditee pursuant to the Uniform Guidance.

B. Findings - Financial Statements Audit

No matters were reported.

Place of Hope, Inc.
Schedule of Findings and Questioned Costs
(continued)
For the Year Ended December 31, 2017

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

No matters were reported.

D. Other Issues

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