

Place of Hope, Inc.

Financial Statements
and Additional Information
For the Year Ended December 31, 2020

Place of Hope, Inc.

Table of Contents

Independent Auditor's Report	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-20
Supplemental Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance	21-23
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance	24
Internal Controls and Compliance	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	27-28
Schedule of Findings and Questioned Costs	29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Place of Hope, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Place of Hope, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As more fully described in Note 15 to the financial statements, the Organization's financial statements do not include the accounts of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, which are related parties to the Organization. The related parties and the Organization have been identified by management as meeting the requirements for the presentation of combined financial statements as required by accounting principles generally accepted in the United States of America; however, these financial statements are not presented on a combined basis. In our opinion, the Organization's financial statements should include the accounts of these related parties to conform with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the effects of the matter as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 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*, is presented for purposes of additional analysis and is not a required part of the financial statements. Furthermore, the accompanying schedule of expenditures of state financial assistance is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Place of Hope, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021, 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
July 7, 2021

FINANCIAL STATEMENTS

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

Place of Hope, Inc.
Statement of Financial Position
December 31, 2020

Assets:

Cash and cash equivalents	\$ 4,760,888
Investments	9,926,265
Grants and contracts receivable	534,497
Prepaid expenses and other assets	251,814
Due from related parties	707,412
Property and equipment, net	<u>9,850,650</u>

Total assets \$ 26,031,526

Liabilities:

Accrued expenses	\$ 346,551
Line of credit	1,091,501
Deferred compensation	105,000
Deferred revenue and refundable advances	<u>229,491</u>

Total liabilities 1,772,543

Net Assets:

Without donor restrictions:	
Undesignated	18,976,538
Designated	3,626,766
With donor restrictions:	
Purpose restrictions	<u>1,655,679</u>

Total net assets 24,258,983

Total liabilities and net assets \$ 26,031,526

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Contributions	\$ 9,689,889	\$ -	\$ 9,689,889
Grants and contracts	2,682,791	-	2,682,791
Grant income - Paycheck Protection Program	808,900	-	808,900
Donated goods and services	208,410	-	208,410
Donated property and equipment	31,748	-	31,748
Donated facilities	14,250	-	14,250
Other operating revenue	1,301	-	1,301
	<u>13,437,289</u>	<u>-</u>	<u>13,437,289</u>
Total public support and revenues			
Net assets released from restrictions	<u>1,509,474</u>	<u>(1,509,474)</u>	<u>-</u>
Total public support, revenues and net assets released from restrictions	<u>14,946,763</u>	<u>(1,509,474)</u>	<u>13,437,289</u>
Expenses:			
Program services	<u>6,596,169</u>	<u>-</u>	<u>6,596,169</u>
Supporting services:			
Fundraising	904,085	-	904,085
Management and general	418,650	-	418,650
	<u>1,322,735</u>	<u>-</u>	<u>1,322,735</u>
Total supporting services			
Total expenses	<u>7,918,904</u>	<u>-</u>	<u>7,918,904</u>
Net operating revenue	<u>7,027,859</u>	<u>(1,509,474)</u>	<u>5,518,385</u>
Nonoperating revenues (expenses):			
Net investment income	1,104,895	167,308	1,272,203
Loss on disposal of property and equipment	(6,130)	-	(6,130)
Transfer of property and equipment (Note 10)	(9,781,765)	-	(9,781,765)
	<u>(8,683,000)</u>	<u>167,308</u>	<u>(8,515,692)</u>
Total nonoperating revenues			
Change in net assets	(1,655,141)	(1,342,166)	(2,997,307)
Net Assets, beginning of year	<u>24,258,445</u>	<u>2,997,845</u>	<u>27,256,290</u>
Net Assets, end of year	<u>\$ 22,603,304</u>	<u>\$ 1,655,679</u>	<u>\$ 24,258,983</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, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Personnel Costs:				
Salaries	\$ 3,004,604	\$ 178,845	\$ 393,460	\$ 3,576,909
Employee benefits and payroll taxes	537,711	31,224	68,691	637,626
Total personnel costs	<u>3,542,315</u>	<u>210,069</u>	<u>462,151</u>	<u>4,214,535</u>
Other Expenses:				
Bank charges and fees	32,672	32,672	-	65,344
Dues and subscriptions	16,562	16,561	-	33,123
Event and activity expenses	233,896	4,075	380,818	618,789
In-kind donations	222,660	-	-	222,660
Insurance	384,332	8,069	5,156	397,557
Interest	14,319	-	-	14,319
Licenses, permits, and taxes	16,690	-	-	16,690
Miscellaneous expenses	11,848	-	-	11,848
Office supplies and other	195,793	48,200	25,582	269,575
Outreach	181,903	-	-	181,903
Printing and reproduction	60,050	-	15,013	75,063
Professional fees	125,390	19,503	2,246	147,139
Promotional expenses	86,880	15,831	290	103,001
Provision for depreciation	497,583	44,230	11,057	552,870
Regulatory compliance	22,789	-	-	22,789
Rent	18,750	-	-	18,750
Repairs and maintenance	288,747	12,761	-	301,508
Residents support	324,426	-	-	324,426
Telephone	37,971	-	-	37,971
Training and development	8,239	-	-	8,239
Travel (program advancement)	31,901	1,772	1,772	35,445
Utilities	240,453	4,907	-	245,360
Total other expenses	<u>3,053,854</u>	<u>208,581</u>	<u>441,934</u>	<u>3,704,369</u>
Total expenses	<u>\$ 6,596,169</u>	<u>\$ 418,650</u>	<u>\$ 904,085</u>	<u>\$ 7,918,904</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, 2020

Cash Flows from Operating Activities:

Change in net assets	\$ (2,997,307)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Provision for depreciation	552,870
Net realized and unrealized (gains) losses on investments	(1,145,686)
Donated property and equipment	(31,748)
Loss on disposal of property and equipment	6,130
Transfer of property and equipment (Note 10)	9,781,765
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grants and contracts receivable	591,122
Prepaid expenses and other assets	9,330
Due from related parties	103,826
Increase (decrease) in liabilities:	
Accounts payable	(148,020)
Accrued expenses	(6,452)
Deferred compensation	35,000
Deferred revenue and refundable advances	<u>(138,838)</u>
Net cash provided by (used in) operating activities	<u>6,611,992</u>

Cash Flows from Investing Activities:

Proceeds from disposal of property and equipment	25,500
Proceeds from sales and purchases of investments, net	(900,763)
Purchases of property and equipment	<u>(5,966,153)</u>
Net cash provided by (used in) investing activities	<u>(6,841,416)</u>

Cash Flows from Financing Activities:

Proceeds from line of credit	1,520,213
Payments on line of credit	<u>(585,863)</u>
Net cash provided by (used in) financing activities	<u>934,350</u>

Net increase (decrease) in cash and cash equivalents 704,926

Cash and Cash Equivalents, beginning of year 4,055,962

Cash and Cash Equivalents, end of year \$ 4,760,888

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

Note 1 - Organization and Operations

Place of Hope, Inc. (the "Organization") is a nonprofit, tax exempt, unique faith-based state-licensed child welfare organization providing family-style foster care (emergency and long-term), family outreach and intervention, transitional housing and support services, adoption and foster care recruitment and support, a maternity home, hope and healing opportunities for children and families who have been traumatized by abuse and neglect throughout our region. Management believes that the Organization has both met and exceeded most performance standards by which licensed child welfare organizations are judged.

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

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

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

Note 1 - Organization and Operations (continued)

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

The Organization partners with its affiliate organizations Village of Hope of Palm Beach County, Inc. (“Village”), Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises (“Treasures”), and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus (“Haven”) (Notes 10 and 15). Village, a not-for-profit entity incorporated in 2006, provides a residential campus which may serve up to eighteen (18) young adults on a daily basis who have “aged out” (eighteen years old) of the foster care system or who are otherwise found homeless. Treasures, a not-for-profit entity incorporated in 2012, operates a charity store which sells second-hand items, to support the activities of the Organization and Village. Haven, a nonprofit entity incorporated in 2013, provides real estate and other property and equipment to the Organization and Village in furtherance of their respective missions.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting: The Organization uses the accrual basis of accounting for financial reporting purposes, which is in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Revenues are recognized when earned and expenses are recognized when incurred.

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

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - consist of net assets for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions - represent net assets subject to donor (or certain grantor) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Note 2 - Summary of Significant Accounting Policies (continued)

Generally, contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

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

Investments: Investments primarily include equity securities, common stocks, fixed income securities, exchange traded funds (ETFs), and mutual funds. Investments are stated at their estimated fair value. 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, 2020.

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, 2020, management considered the grants and contracts receivable balance to be fully collectible within the current accounting period and no allowance for doubtful accounts was considered necessary.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Grant income – Paycheck Protection Program: In accordance with the guidance of the AICPA, in Q&A Section 3200, the Organization has the option to report the proceeds of this forgivable loan program under FASB *Accounting Standards Codification (ASC) 470, Debt* or it can analogize the guidance of FASB *Accounting Standards Codification (ASC) 958-605, Revenue Recognition*, and account for the funds as a conditional government grant. The Organization's management has elected to analogize and follow the provisions of ASC 958-605 in which the loan proceeds (Note 8) were recognized as grant income during 2020. Per management, the conditions attached to the assistance were met and costs for which the grant intended to compensate were incurred.

Refundable advances: Revenues received in advance (nonexchange transaction) that are not recognized because the unit of service has not been provided, and/or the conditions have not been substantially met or explicitly waived are considered refundable advances.

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

Functional expenses: The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. 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. The expenses that are allocated include personnel costs, depreciation, promotional expenses, professional fees, and other expenses; which are allocated on the basis of estimates of time and effort, and other methods as determined by management

Note 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.

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

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 GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of management's review: Management has evaluated subsequent events through July 7, 2021 which is the date the financial statements were available for issuance.

Note 3 - Liquidity and Availability

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

Financial Assets:	
Cash and cash equivalents	\$ 4,760,888
Investments	9,926,265
Grant and contracts receivable	534,497
Due from related parties	<u>707,412</u>
Financial assets at year-end	<u>15,929,062</u>

Note 3 - Liquidity and Availability

Less:

Contractual or donor-imposed restrictions making financial assets unavailable for general expenditure	(1,655,679)
Board designated endowments, primarily for long-term investing	<u>(3,626,766)</u>

Financial assets available within one year to meet cash needs for general expenditures within one year	\$ <u><u>10,646,617</u></u>
--	-----------------------------

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

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

Note 4 - Grants and Contracts

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

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

Note 5 - Investments

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Organization has the ability to access at the measurement date.

Note 5 - 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity and other mutual funds	\$ 3,387,458	\$ -	\$ -	\$ 3,387,458
Common stocks	2,897,105	-	-	2,897,105
Fixed income	2,160,741	121,970	-	2,282,711
International equity funds	899,296	-	-	899,296
Alternatives-hedge funds and commodities	284,901	-	-	284,901
Community Foundation fund	-	174,794	-	174,794
Total	\$ <u>9,629,501</u>	\$ <u>296,764</u>	\$ <u>-</u>	\$ <u>9,926,265</u>

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

Interest and dividend income	\$ 214,072
Net realized/unrealized gains (losses)	1,145,686
Fees	<u>(87,555)</u>
	<u>\$ 1,272,203</u>

Note 6 - Property and Equipment

Property and equipment consists of the following at December 31, 2020:

Buildings and improvements	\$ 9,483,546
Land improvements	1,313,562
Furniture, fixtures, and office equipment	542,908
Vehicles	473,730
Machinery and equipment	<u>422,132</u>
	12,235,878
Less: accumulated depreciation	<u>4,834,742</u>
	7,401,136
Land	2,354,356
Construction in progress	<u>95,158</u>
	<u>\$ 9,850,650</u>

Note 6 - Property and Equipment (continued)

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

Note 7 - Lines of Credit

The Organization has a \$ 1,345,000 revolving line of credit from a bank due on demand. The line of credit bears a variable interest rate based on the 30 day London Interbank Offered Rate (1.644% at December 31, 2020). The line of credit is collateralized by certain assets of the Organization. The outstanding balance on this line of credit at December 31, 2020 was approximately \$ 1,092,000.

The Organization has a \$ 500,000 revolving line of credit from a bank expiring June 2021. The line of credit bears a variable interest rate of the Prime Rate less 1.25% (2.00% at December 31, 2020). 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, 2020.

Note 8 - Paycheck Protection Program

During the year, the Organization executed a promissory note for \$ 808,900 under the Paycheck Protection Program ("PPP") as authorized by the Coronavirus, Aid, Relief, and Economic Security Act (the "CARES Act"). Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the Organization maintains certain employment levels during a specified period of time. If the Small Business Administration ("SBA") confirms full forgiveness of the unpaid balance of the note, the Organization's obligation under this arrangement will be deemed fully satisfied and paid in full. The Organization has elected to account for the PPP Funds in accordance with FASB's ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Under this method, the PPP funds were recorded as a refundable advance in the statement of financial position when they were received in April 2020. During the current year, the Organization recognized \$ 808,900 in revenue (Grant income - Paycheck Protection Program) as the related conditions were deemed substantially met by management.

Note 9 - Donated Goods, Services, and Facilities

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, 2020, the Organization recorded as a revenue and as an expense approximately \$ 208,000, of which the full amount is related to program services. In addition, as discussed in Note 16, the Organization recorded approximately \$ 14,000 for donated revenue and expense related to leases.

Note 10 - 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 \$ 136,900, in-kind facilities of approximately \$ 199,500, and contributed approximately \$ 168,400 to Village during the year ended December 31, 2020. In addition, as of December 31, 2020, the Organization had an amount due from Village of \$ 19,867, 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 \$ 122,100 to Treasures during the year ended December 31, 2020. In addition, the Organization transferred property and equipment of \$ 9,781,765 to Treasures. As of December 31, 2020, the Organization had an amount due from Treasures of \$ 561,812, for expense reimbursements. This amount bears no interest and there is no established repayment schedule. Furthermore, the Organization is the guarantor of a real estate mortgage note payable by Treasures. At December 31, 2020, the balance of the real estate mortgage note payable was approximately \$ 425,800. The mortgage note payable was paid in full by Treasures subsequent to year end.

The Organization is related to Haven through common board members and management. During the year, the Organization received \$ 555,000 of contributions from Haven. In addition, as of December 31, 2020, the Organization had an amount due from Haven amounting to \$ 125,733 for expense reimbursements. This amount bears no interest and there is no established repayment schedule. In addition, as discussed in Note 16, the Organization recorded in-kind revenue and expense relating to the use of Haven’s facilities.

During the year, the Organization received contributions totaling approximately \$ 157,200 from Palm Beach Gardens Christ Fellowship Church, Inc. (“Christ Fellowship”). The Organization and Christ Fellowship are related through certain common board members. In addition, the Organization received contributions totaling approximately \$ 714,800 from various members (“members”) of the Board of Directors and its members related entities.

Note 11 - Net Assets with Donor Restrictions

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

Subject to expenditure for specified purpose:	
Construction	\$ 498,223
Student scholarships	<u>1,157,456</u>
Total	<u>\$ 1,655,679</u>

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

Satisfaction of purpose restrictions:	
Construction	\$ 1,498,071
Student scholarships	<u>11,403</u>
Total	<u>\$ 1,509,474</u>

Note 12 - Designated Unrestricted Net Assets

As of December 31, 2020, the Board of Directors had designated \$ 3,626,766 for endowments to support the future operations of the Organization.

The Organization recognizes the following Board designated endowment funds:

Paxson Endowment	\$	1,169,967
Anna Turri Endowment		618,893
Brett Harris Weinstein Memorial Endowment		692,254
The Stack Family Endowment		584,981
In Memory of Jesus Endowment		421,185
Community Outreach Endowment		30,515
Kazma Endowment		108,971
	\$	<u>3,626,766</u>

These funds have been invested as follows:

Common stocks	\$	1,362,492
Equity and other mutual funds		894,565
Fixed income mutual funds		780,239
International equity funds		407,475
Hedge funds		119,304
Cash and cash equivalents		62,691
	\$	<u>3,626,766</u>

Note 13 - Retirement Plan

On January 1, 2020, the Organization, along with Villages and Treasures, entered into a safe harbor 401k plan offered to eligible employees. Employee contributions are based upon the amount of compensation each participant elects to defer yearly, which may be “before tax” and are limited only by certain provisions of the Internal Revenue Code. The Organization provides a 100% match of up to 4% of the employees’ eligible earnings. The total 401(k) plan expense for the Organization for the year ended December 31, 2020 amounted to approximately \$ 77,000.

Note 14 - Deferred Compensation Plan

The Organization previously established a 457(f) non-qualified deferred compensation plan for certain highly compensated employees. Under the plan, the participants or their designated beneficiaries are entitled to receive a single lump sum payment of all benefits upon the Organization’s change of control or employee’s total and permanent disability or death. Total expense for the Plan for the year ended December 31, 2020 was \$ 25,000.

Note 15 - Combination of Related Party Entities (Note 1)

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

Summarized financial information for uncombined related party entities, as of and for the year ended December 31, 2020, is as follows:

	<u>Total</u>	<u>Village</u>	<u>Treasures</u>	<u>Haven</u>
Total assets	\$ 27,402,897	\$ 2,861,918	\$ 12,478,410	\$ 12,062,569
Total liabilities	<u>1,266,331</u>	<u>87,941</u>	<u>1,052,051</u>	<u>126,339</u>
Total net assets	\$ <u>26,136,566</u>	\$ <u>2,773,977</u>	\$ <u>11,426,359</u>	\$ <u>11,936,230</u>
Total change in net assets	\$ <u>9,841,828</u>	\$ <u>60,245</u>	\$ <u>10,393,576</u>	\$ <u>(611,993)</u>

Reference should be made to Note 10 for details of the current year transactions between the Organization, Village, Treasures, and Haven. Also, reference should be made to the financial statements of Village of Hope of Palm Beach County, Inc., and Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, as to which the independent auditor's/accountant's report are dated July 7, 2021.

Note 16 - Lease Agreement

The Organization previously entered into a two-year, cancellable lease agreement for office space through May 2020. In consideration of the lease, the Organization will make annual payments of \$ 1. For the year ended December 31, 2020, the Organization recorded \$ 3,750 of in-kind revenue and expense, related to the lease.

Previously, the Organization began using Haven's facilities to further a significant portion of their program services. During June 2020, the Organization entered into a 10-year lease agreement for use of Haven's facilities. In consideration of the lease, the Organization will make annual payments of \$ 1 through May 2030. In addition, the Organization is also responsible for any utilities, taxes, repairs, and maintenance in relation to these facilities. For the year ended December 31, 2020, the Organization recorded \$ 10,500 of in-kind revenue and expense, related to the lease. The Organization also subleases this space to Villages through a noncancellable lease through May 2030.

Note 16 - Lease Agreement (continued)

Additionally, on October 1, 2020, the Organization entered into a sixty (60) month lease agreement with Treasures for office space. The lease agreement provides for payments of \$ 6,250 per month, increasing 4% annually through September 2025. Rent expense in connection with this lease for the year ended December 31, 2020 amounted to approximately \$ 18,800. The Organization is presently committed to approximate lease payments under the terms of this agreement as follows:

Year Ending December 31,		
2021	\$	75,000
2022	\$	78,000
2023	\$	81,100
2024	\$	84,400
2025	\$	65,800
Thereafter	\$	NONE

Note 17 - Risks and Uncertainties

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak as a pandemic.

Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization’s financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

Note 18 - Supplemental Cash Flows Information

Supplemental disclosure of cash flow information:

Cash received during the year for - Interest and dividend income, net	\$	<u>214,072</u>
Cash paid during the year for - Interest expense	\$	<u>14,319</u>

SUPPLEMENTAL INFORMATION

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 For the Year Ended December 31, 2020

<u>Federal/State Agency, Pass-through Entity Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Contract/ Grant Number</u>	<u>Federal / State Expenditures</u>	<u>State Matching Expenditures (1)</u>	<u>Transfers to Subrecipients</u>
Federal Agency Name:					
Indirect Programs:					
U.S. Department of Health and Human Services -					
Passed through the State of Florida					
Department of Children and Families					
Passed through ChildNet, Inc. (POH Contracts),					
and Communities Connected for Kids, Inc.					
(CCK Contracts)					
Foster Care-Title IV-E	93.658	CCK 233			
		CCK 229			
		CCK 21-305			
		& CCK 21-306	\$ 49,033	\$ 201,439	\$ -
	93.658	CCK 21-317	77,424	130,221	-
	93.658	POH19FHM	62,051	106,947	-
	93.658	POH19MAT	25,481	29,789	-
	93.658	POH19NFH	46,543	50,366	-
	93.658	POH19RGC	104,839	358,102	-
	93.658	POH20CPA	51,407	87,980	-
	93.658	POH20MAT	41,155	48,112	-
	93.658	POH20RGC	88,269	301,504	-
			546,202	1,314,460	-

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2020

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
Federal Agency Name:					
Indirect Programs (continued):					
Social Services Block Grant	93.667	CCK 233			
		CCK 229			
		CCK 21-305			
		& CCK 21-306	104,449	-	-
	93.667	POH19MAT	2,153	-	-
	93.667	POH19RGC	98,173	-	-
	93.667	POH20MAT	3,477	-	-
	93.667	POH20RGC	82,657	-	-
			<u>290,909</u>	<u>-</u>	<u>-</u>
Temporary Assistance for Needy Families	93.558	POH19FHM	277	731	-
	93.558	POH19NFH	38	-	-
	93.558	POH20CPA	241	276	-
	93.558	CCK 21-317	-	11,706	-
			<u>556</u>	<u>12,713</u>	<u>-</u>
Adoption Assistance	93.659	CCK 21-317	8,569	8,569	-
	93.659	POH19FHM	7,404	6,257	-
	93.659	POH19NFH	944	834	-
	93.659	POH20CPA	6,221	5,085	-
			<u>23,138</u>	<u>20,745</u>	<u>-</u>

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2020

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
Federal Agency Name:					
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	POH19NFH	20,266	5,067	-
	93.674	POH19RGC	28,266	25,788	-
	93.674	POH20MAT	14,817	13,519	-
	93.674	POH20RGC	2,402	601	-
			<u>65,751</u>	<u>44,975</u>	<u>-</u>
Indirect Programs (continued): Chafee Education and Training Vouchers Program (ETV)	93.599	CCK 233 CCK 229 CCK 21-305 & CCK 21-306	246	62	-
			<u>246</u>	<u>62</u>	<u>-</u>
Department of Housing and Urban Development - Passed through Palm Beach County, Florida Community Development Block Grants/ Entitlement Grants	14.218	R2019-1525	10,847	-	-
	14.218	R2020-1466	5,750	-	-
			<u>16,597</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>943,399</u>	\$ <u>1,392,955</u>	\$ <u>-</u>

Place of Hope, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (continued)
 For the Year Ended December 31, 2020

Federal/State Agency, Pass-through Entity Federal Program/State Project	CFDA/ CSFA Number	Contract/ Grant Number	Federal / State Expenditures	State Matching Expenditures (1)	Transfers to Subrecipients
State Agency Name:					
Indirect Projects:					
State of Florida Department of Children and Families -					
Passed through ChildNet, Inc.					
Child Welfare Out-of-Home Supports	60.074	POH19FHM	144,638	-	-
	60.074	POH19NFH	92,267	-	-
	60.074	POH20CPA	<u>109,532</u>	-	-
			<u>346,437</u>	<u>-</u>	<u>-</u>
Total Expenditures of State Financial Assistance			\$ <u>346,437</u>	\$ <u>-</u>	\$ <u>-</u>

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

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

Place of Hope, Inc.
Notes to Schedule of Expenditures of Federal
Awards and State Financial Assistance
December 31, 2020

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 awards and state financial assistance of Place of Hope, Inc. (the "Organization") under programs of the federal and state government for the year ended December 31, 2020. The information in this Schedule of Expenditures of Federal Awards 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). 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, 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.

INTERNAL CONTROLS AND COMPLIANCE

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

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

To the Board of Directors
Place of Hope, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Place of Hope, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
July 7, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Place of Hope, Inc.

Report on Compliance for Each Major Federal Program

We have audited Place of Hope, Inc.'s (a nonprofit 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 for the year ended December 31, 2020. The Organization's major federal programs 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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). Those standards and the Uniform Guidance 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 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. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

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 for the year ended December 31, 2020.

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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
July 7, 2021

**Place of Hope, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Place of Hope, Inc. with the exception of not combining the accounts of Village of Hope of Palm Beach County, Inc., Treasures for Hope, Inc. d/b/a Peninsula Social Enterprises, and The Place of Hope at the Haven Campus, Inc. d/b/a The Place of Hope at the Leighan and David Rinker Campus, as noted in Note 15 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 are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal program for Place of Hope, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major federal program for Place of Hope, Inc. reported in Part C of this schedule.
7. The program tested as the major program is as follows:

<u>Federal Program:</u>	<u>CFDA No.</u>
U.S. Department of Health and Human Services, Foster Care - Title IV-E	93.658

8. The threshold for distinguishing Type A and Type B for federal programs was \$ 750,000.
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.

C. Findings and Questioned Costs - Major Federal Program

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.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.