

*HopeWorks of Howard County, Inc.*

Financial Statements  
and  
OMB Uniform Guidance Reports

June 30, 2019 and 2018



**Halt Buzas & Powell, LTD**

TRUST, INTEGRITY AND A COMMITMENT TO YOUR SUCCESS

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## Independent Auditors' Report

To the Board of Directors  
HopeWorks of Howard County, Inc.  
Columbia, Maryland

We have audited the accompanying financial statements of HopeWorks of Howard County, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities 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.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, 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.

### **Prior Period Financial Statements**

The financial statements of the Organization as of June 30, 2018, were audited by other auditors whose report dated January 11, 2019, expressed an unmodified opinion on those statements.

### **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 (pages 17 - 18) 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. 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 1, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
May 1, 2020

**HopeWorks of Howard County, Inc.**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 239,870	\$ 168,017
Grants receivable	392,607	306,111
Prepaid expenses	<u>43,864</u>	<u>62,823</u>
Total current assets	676,341	536,951
Prepaid expenses, non-current	3,650	-
Property and equipment, net	473,445	503,458
Deposits	<u>7,610</u>	<u>7,610</u>
Total assets	<u>\$ 1,161,046</u>	<u>\$ 1,048,019</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 18,291	\$ 20,130
Accrued payroll liabilities	74,010	63,169
Deferred revenue	<u>22,292</u>	<u>17,247</u>
Total current liabilities	114,593	100,546
Deferred lease liability, non-current	<u>14,423</u>	<u>15,508</u>
Total liabilities	<u>129,016</u>	<u>116,054</u>
Net assets:		
Without donor restrictions	1,010,488	931,965
With donor restrictions	<u>21,542</u>	<u>-</u>
Total net assets	<u>1,032,030</u>	<u>931,965</u>
Total liabilities and net assets	<u>\$ 1,161,046</u>	<u>\$ 1,048,019</u>

See accompanying notes to the financial statements.

3.

HopeWorks of Howard County, Inc.

Statement of Activities

For the Year Ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues:			
Government grants	\$ 2,254,316	\$ -	\$ 2,254,316
Contributions	151,705	21,542	173,247
In-kind contributions	144,462	-	144,462
Special events	94,762	-	94,762
Counseling fees	28,064	-	28,064
Other income	<u>3,962</u>	<u>-</u>	<u>3,962</u>
Total revenues	<u>2,677,271</u>	<u>21,542</u>	<u>2,698,813</u>
Expenses:			
Program services	<u>2,358,308</u>	<u>-</u>	<u>2,358,308</u>
Support services:			
Management and general	175,116	-	175,116
Fundraising	<u>65,324</u>	<u>-</u>	<u>65,324</u>
Total support services	<u>240,440</u>	<u>-</u>	<u>240,440</u>
Total expenses	<u>2,598,748</u>	<u>-</u>	<u>2,598,748</u>
Change in net assets	78,523	21,542	100,065
Net assets, beginning of year	<u>931,965</u>	<u>-</u>	<u>931,965</u>
Net assets, end of year	<u>\$ 1,010,488</u>	<u>\$ 21,542</u>	<u>\$ 1,032,030</u>

See accompanying notes to the financial statements.

4.

**HopeWorks of Howard County, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Without donor restrictions	With donor restrictions	Total
<b>Revenues:</b>			
Government grants	\$ 2,007,397	\$ -	\$ 2,007,397
Contributions	188,098	-	188,098
In-kind contributions	159,100	-	159,100
Special events	39,296	-	39,296
Counseling fees	27,481	-	27,481
Other income	2,495	-	2,495
Net assets released from restrictions:			
Satisfaction of donor restrictions	50,000	(50,000)	-
Total revenues	2,473,867	(50,000)	2,423,867
<b>Expenses:</b>			
Program services	1,977,090	-	1,977,090
Support services:			
Management and general	326,588	-	326,588
Fundraising	58,649	-	58,649
Total support services	385,237	-	385,237
Total expenses	2,362,327	-	2,362,327
Change in net assets	111,540	(50,000)	61,540
Net assets, beginning of year	820,425	50,000	870,425
Net assets, end of year	\$ 931,965	\$ -	\$ 931,965

See accompanying notes to the financial statements.

5.

**HopeWorks of Howard County, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Program expenses	Management and general expenses	Fundraising expenses	Total support services	Total expenses
Accounting fees	\$ -	\$ 47,937	\$ -	\$ 47,937	\$ 47,937
Advertising and marketing	10,135	535	464	999	11,134
Bank fees	2,679	141	865	1,006	3,685
Client needs fund	149,623	8,077	-	8,077	157,700
Computer and website	19,838	1,047	4,891	5,938	25,776
Consultants and contractors	68,303	3,687	-	3,687	71,990
Depreciation and amortization	47,915	2,587	-	2,587	50,502
Dues, subscriptions and license fees	4,210	227	-	227	4,437
Employee benefits	62,467	3,372	1,437	4,809	67,276
IT services	18,613	1,005	-	1,005	19,618
In-kind expenses	137,063	7,399	-	7,399	144,462
Insurance	16,049	866	-	866	16,915
Legal fees	158	9	-	9	167
Meals and entertainment	1,791	95	5,446	5,541	7,332
Meetings and registrations	4,835	261	-	261	5,096
Occupancy	93,556	5,051	-	5,051	98,607
Other	33,944	1,829	-	1,829	35,773
Payroll taxes	102,233	5,519	2,351	7,870	110,103
Postage and shipping	5,286	285	-	285	5,571
Printing and publications	18,170	959	3,000	3,959	22,129
Professional development	18,836	1,017	-	1,017	19,853
Repairs and maintenance	74,564	4,025	-	4,025	78,589
Salaries	1,379,725	74,444	31,731	106,175	1,485,900
Supplies	21,592	1,139	15,139	16,278	37,870
Telephone	15,413	832	-	832	16,245
Travel	15,533	839	-	839	16,372
Utilities	18,238	985	-	985	19,223
Workers compensation	17,539	947	-	947	18,486
<b>Total expenses</b>	<b>\$ 2,358,308</b>	<b>\$ 175,116</b>	<b>\$ 65,324</b>	<b>\$ 240,440</b>	<b>\$ 2,598,748</b>

See accompanying notes to the financial statements.



**HopeWorks of Howard County, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ <u>100,065</u>	\$ <u>61,540</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,502	38,084
Decrease (increase) in assets:		
Grants receivable	(86,496)	14,308
Prepaid expenses	15,309	(18,549)
Deposits	48,145	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(1,839)	(14,905)
Accrued payroll liabilities	10,841	(14,311)
Deferred revenue	5,045	(1,913)
Deferred lease liability, non-current	(1,085)	-
Total adjustments	<u>40,422</u>	<u>2,714</u>
Net cash provided by operating activities	<u>140,487</u>	<u>64,254</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(68,634)</u>	<u>(50,942)</u>
Net cash used in investing activities	<u>(68,634)</u>	<u>(50,942)</u>
Net increase in cash and cash equivalents	71,853	13,312
Cash and cash equivalents, beginning of year	<u>168,017</u>	<u>154,705</u>
Cash and cash equivalents, end of year	<u>\$ 239,870</u>	<u>\$ 168,017</u>
Supplemental disclosures of cash flow information:		
Interest expense	<u>\$ -</u>	<u>\$ 249</u>

See accompanying notes to the financial statements.

7.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**1. Organization**

HopeWorks of Howard County, Inc. (the Organization) is a nonprofit organization whose purpose is to provide support and advocacy for people in Howard County affected by sexual and intimate partner violence and engage the community in creating the change required for prevention. HopeWorks is funded primarily through contributions and government grants.

**2. Summary of Significant Accounting Policies**

**a. Basis of Presentation**

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, 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* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

**b. Basis of accounting**

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**c.** 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

**d.** Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Organization is not classified as a private foundation.

**e.** Cash and cash equivalents

For financial statement purposes, the Organization classifies demand deposits and short-term investments with an original maturity of three months or less as cash equivalents.

**f.** Grants receivable

Grants receivable principally represent amounts due from government awards and are stated at their net realizable value. All receivables outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded.

**g.** Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	5 - 40 years
Furniture and equipment	5 years
Computers and website	3 - 7 years
Vehicles	5 years

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

The Organization's policy is to capitalize major additions and improvements over \$2,500. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

**h.** Deferred rent and lease incentives

Deferred rent is recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or are less than, the cash payments required. Lease incentives received as part of a lease agreement are recognized on a straight-line basis over the life of the lease as a reduction to rent expense.

**i.** Revenue recognition

*i. Government grants and contributions*

Grant revenue is recognized as earned when the qualifying costs are incurred. Amounts received in advance are recorded as deferred revenue in the accompanying statements of financial position. Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount activity. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as net assets without donor restriction if the restriction expires in the same reporting period in which the contribution is recognized.

*ii. Special events*

Special events are reoccurring events that are recognized as revenue in the period the events take place. Amounts received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

*iii. Counseling fees*

Counseling fees are recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

*iv. In-kind contributions*

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. During the years ended June 30, 2019 and 2018, the Organization received a total of \$144,462 in-kind rent in each year. During the year ended June 30, 2018, the Organization also received \$14,638 in donated goods.

*j. Functional allocation of expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs, such as salaries, payroll taxes, and employee benefits, workers compensation, occupancy, utilities, repairs and maintenance, telephone, travel, dues, subscriptions and license fees, postage and shipping, professional development, meetings and registrations, other expenses, client needs fund, IT services, legal fees, consultants and contractors, insurance, in-kind expenses, and depreciation and amortization have been allocated among programs and management and general based on the level of effort related to these functional classes. Other expenses, such as bank fees, supplies, computer and website, printing and publications, advertising and marketing, and meals and entertainment have been directly charged to fundraising for the expenses directly related to fundraising activities and the remaining expenses has been allocated among programs and management and general based on staff level of effort related to these functional classes.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

As part of the new Accounting Standard Update (ASU) 2016-14 (see policy note m), the Organization has opted for a single year presentation of the new statement of functional expenses, allowed in the initial year of adoption. As such, there is no statement of functional expenses for the year ended June 30, 2018.

**k.** Reclassification

For comparative purposes, certain 2018 amounts have been reclassified to conform to the 2019 presentation. However, none of these reclassifications affected the 2018 change in net assets.

**l.** New accounting standard

The Organization has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, modifying ASC 958. The change has been applied as of these financial statements with no effect on beginning net assets.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements. The Organization plans to adopt the new ASU at the required implementation date.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), regarding its implications on grants and contracts of not-for-profit organizations. The Organization will be required to adopt the requirements of the new guidance as of July 1, 2019.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**3. Liquidity and Availability**

The following represents the Organization's financial assets at June 30:

Financial assets at year end:		<u>2019</u>
Cash	\$	239,870
Grants receivable		<u>392,607</u>
Total financial assets		632,477
Less amounts not available within one year:		
Net assets with donor restrictions		<u>(21,542)</u>
Financial assets available to meet general expenditures within one year	\$	<u><u>610,935</u></u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$664,000). The Organization has a \$150,000 line of credit available to meet cash flow needs.

**4. Concentrations of Credit Risk**

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2019 and 2018, the Organization had bank deposits in excess of FDIC limits of \$55,797 and \$37,988.

**5. Property and Equipment, Net**

The following is a summary of property and equipment held at June 30:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 597,831	\$ 597,831
Furniture and equipment	85,093	85,093
Computers and website	83,084	62,595
Vehicles	26,844	26,844
Land	<u>19,759</u>	<u>19,759</u>
Property and equipment	812,611	792,122
Accumulated depreciation and amortization	<u>(339,166)</u>	<u>(288,664)</u>
Total property and equipment, net	<u><u>\$ 473,445</u></u>	<u><u>\$ 503,458</u></u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$50,502 and \$38,084, respectively.

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**6. Line of Credit**

In March 2017, the Organization entered into a \$150,000 revolving line of credit with a financial institution. The line carries an interest rate equal to the prime rate plus one percentage point. At June 30, 2019 and 2018, the interest rate was 6.50% and 5.50%, respectively. The line of credit is secured by a real estate property of the Organization. There was no outstanding balance on the line at June 30, 2019 and 2018.

**7. Net Assets With Donor Restrictions**

At June 30, 2019 net assets with donor restrictions were available for the following purposes. There were no net assets with donor restrictions at June 30, 2018.

	<u>2019</u>
Advocacy department	\$ 20,000
Residential department	<u>1,542</u>
Total net assets with donor restrictions	<u>\$ 21,542</u>

**8. Concentrations of Revenue Risk**

At June 30, 2019 and 2018, the Organization had receivables of \$265,419 and \$157,140, respectively, from one grantor, which is approximately 68% and 51%, respectively, of its total grants receivable.

During the years ended June 30, 2019 and 2018, the Organization received \$1,571,796 and \$1,522,114, respectively, from its two largest grantors, which is approximately 58% and 63%, respectively, of its total revenue and support for the year. Any significant reduction in revenue and support may adversely impact the Organization financial position and operations.



**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**9. Commitments**

Operating leases

In October 2016, the Organization entered into a sublease agreement for office space. The agreement is set to expire in June 2027 and calls for a monthly lease payment of \$7,610 per month, with rental decreases between 4% and 5% in the first three years, and rental escalation of 3% starting from the year ending June 30, 2021. Rent was abated for the first three months upon signing the lease. This is recognized as deferred rent on the accompanying statements of financial position. The Organization receives subsidized rent from Howard County for the office space lease. For the years ended June 30, 2019 and 2018, the subsidy amounted to \$120,462 each year.

In December 2017, the Organization signed a new five-year lease agreement for an additional transitional house location. The annual rent commitment for the first two years of the lease was \$10,990 and the Organization was responsible for all utilities on the property. Starting in May 2018, the annual rent was projected to increase to \$18,000 starting the third year of the lease. Due to flooding, the transitional house was determined in July of 2018 to be no longer usable. The landlord refunded a prorated amount of the rent in August 2018.

Total rent expense for the years ended June 30, 2019 and 2018 was \$98,607 and \$84,852, respectively.

In June 2017, the Organization entered into a 39-month agreement for the lease of office equipment. The agreement calls for monthly lease payments of \$39, with additional fees based on usage. This agreement will expire in August 2020.

Aggregate future minimum lease payments are as follows for the years ending June 30:

	<u>Office</u>	<u>Copier</u>	<u>Total</u>
2020	\$ 82,772	\$ 468	\$ 83,240
2021	80,465	78	80,543
2022	82,883	-	82,883
2023	85,373	-	85,373
2024	87,938	-	87,938
2025 and thereafter	<u>279,999</u>	<u>-</u>	<u>279,999</u>
Total	<u>\$ 699,430</u>	<u>\$ 546</u>	<u>\$ 699,976</u>

**HopeWorks of Howard County, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2019 and 2018**

**10. Advertising Expense**

The Organization expenses the cost of advertising as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$11,134 and \$4,898.

**11. Retirement Plan**

The Organization offers a 403(b) retirement plan to which all eligible employees may contribute. The Organization does not make contributions to the plan.

**12. Subsequent Events**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 1, 2020, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

Supplemental Information

**HopeWorks of Howard County, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Justice</u>				
Pass-through awards:				
State of Maryland Governor's Office of Crime Control and Prevention				
Crime Victim Assistance	16.575	VOCA-2016-0050;VOCA-2015-0119; VOCA-2016-0066; VOCA-2016-0081; VOCA-2017-0022	\$ -	\$ 733,037
Violence Against Women Formula Grants	16.588	VAWA-2017-0022; VAWA-2018-0047	-	45,285
Sexual Assault Services Formula Program	16.017	SASP-2017-1812; SASP-2018-0009	-	<u>21,752</u>
Total United States Department of Justice			<u>-</u>	<u>800,074</u>
<u>United States Department of Health and Human Services</u>				
Pass-through awards:				
State of Maryland Governor's Office of Crime Control and Prevention				
Family Violence Prevention Services/Domestic Violence Shelter and Supportive Services				
	93.671	FVPS-2018-0005	-	177,679
Injury Prevention and Control Research and State and Community Based Programs	93.136	RFPA-2018-0007; RFPA-2019-0004	-	<u>18,829</u>
Total United States Department of Health and Human Services			<u>-</u>	<u>196,508</u>
<u>United States Department of Housing and Urban Development</u>				
Pass-through awards:				
Howard County				
Community Development Block Grants/Entitlement Grants	14.218	B-18-UC-0012	-	35,621
Emergency Solutions Grant Program	14.231	HSP	-	<u>83,343</u>
Total United States Department of Housing and Urban Development			<u>-</u>	<u>118,964</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,115,546</u>

**HopeWorks of Howard County, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Notes to Schedule of Expenditures of Federal Awards**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of HopeWorks of Howard County, Inc. (the Organization) for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

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



**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**

2200 Defense Highway  
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Crofton, MD 21114  
P 410.451.5150  
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**Independent Auditors' Report**

[www.cpas4you.com](http://www.cpas4you.com)

To the Board of Directors  
HopeWorks of Howard County, Inc.  
Columbia, Maryland

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 HopeWorks of Howard County, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2019, 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 1, 2020.

***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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 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.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
May 1, 2020



**Report on Compliance For Each Major Federal Program; Report on Internal  
Control Over Compliance Required by the Uniform Guidance**

**Independent Auditors' Report**

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To the Board of Directors  
HopeWorks of Howard County, Inc.  
Columbia, Maryland

***Report on Compliance for Each Major Federal Program***

We have audited HopeWorks of Howard County, Inc.'s (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 June 30, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' 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 June 30, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Halt, Buzas & Powell, Ltd.*

Alexandria, Virginia  
May 1, 2020

**HopeWorks of Howard County, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported
- Noncompliance material to financial statements noted?        yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?   X   yes        none reported

Type of auditors' report issued on compliance  
for major programs Unmodified opinion

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200.516(a)?   X   yes        no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
16.575	Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee?        yes   X   no

**Section II. Financial Statement Findings**

None.

**HopeWorks of Howard County, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**Section III. Federal Award Findings and Questioned Costs**

**2019-001      Late Submission of Required Financial, Programmatic, and Performance Reports**

*Audit Results:*

Information on

Federal

CFDA#: 16.575 Crime Victim Assistance

Programs:

Grant Award Numbers: VOCA-2016-0081, VOCA-2017-022, VOCA-2015-0119

Federal Agency: United States Department of Justice

Pass-through Entity: State of Maryland - Governor's Office of Crime Control and Prevention

Criteria:

All of the grants under this program require that financial, programmatic, and performance reports be submitted on a quarterly basis. Quarterly reports are due within fifteen calendar days from the end of each quarter. Two of the grants require financial quarterly reports to be submitted within thirty calendar days off each quarter end date. The final financial reports are due no later than thirty calendar days from the end of the award.

Condition:

The Organization did not comply with the reporting requirements in accordance with Uniform Guidance. During our testing, we noted that for the grants we tested, eight of the reports were submitted between one day and three months after the deadline.

Questioned costs: None

Context:

Federal agencies rely on these reports to ensure that recipients are meeting their expectations. Therefore delays in reporting can result in delays of the receipt of funding.

Effect:

As a result of the late submission, the Organization is not in compliance with the reporting requirements of the Uniform Guidance.

Cause:

This resulted from human error, a lack of review of the actual submission of the reports or an intentional delay to ensure more accurate reporting.

**HopeWorks of Howard County, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

Recommendation:

We recommend reviewing the controls in place to ensure that all future reporting requirements are submitted on time. If the Organization expects that there will be a delay in the submission of the reports, they should obtain permission to extend the submission date from the awarding agency.

Views of Responsible Officials and Planned Corrective Actions:

The three month delay in submitting the report was human error. The grantor's electronic submission process requires completion of the report, hit of the submit button and then a second confirmation of submission verification. In one case, our grant manager submitted the report, but failed to hit the second submission verification button. Because we did not have any communication from the grantor inquiring of a late report, we proceeded thinking that the report had been successfully submitted. It wasn't until the following quarter, when we logged in to begin to prepare the next quarter's report that we recognized the previous report had not been fully submitted. The second submission verification button was hit at that time. In contrast, another report that was 8 days late was intentional. It was the final reporting for a last minute grant that was a bit unusual in nature. We opted to submit a late financial report that we knew was correct as opposed to an on-time report that might not have been accurate.

Management has addressed this issue by putting a process in place that requires the grant manager to save a copy of the confirmation of submission after each grant payment request is submitted. This process will be reviewed by the executive director periodically.

**2019-002      Recording of Costs Related to Other Programs**

Audit Results:

Information on

Federal

CFDA#: 16.575 Crime Victim Assistance

Programs:

Federal Agency: United States Department of Justice

Pass-through Entity: State of Maryland - Governor's Office of Crime Control and Prevention

Criteria:

Cost charged to federal programs should be based on the relative benefits received and budget submitted. The funds received may only be used to provide direct services to crime victims and activities for supporting direct services.

**HopeWorks of Howard County, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**Condition:** The Organization did not comply with the allowable cost principles requirements in accordance with Uniform Guidance. We noted that there were expenses reported as being spent for the major program, but the expenses were actually incurred for another program. These expenses were incorrectly charged to the major program and reported to the agency as costs incurred for the performance of the activities under the grant.

**Questioned costs:** \$3,100

**Effect:** The Organization has determined these charges totaled \$3,100 during fiscal year 2019. It was not practical to extend our auditing procedures sufficiently to determine whether the amount was properly calculated and whether any additional questioned costs resulted from this finding. The identified expenses should be returned to the agency or used on expenses relating to this grant.

**Cause:** This was caused by a lack of review and monitoring of the coding of expenses charged to the different programs in the accounting system.

**Recommendation:**

We recommend reviewing the controls in place to ensure that all future charges are allowable under the federal program and are properly coded to the grant/program to which they belong. We recommend that a review be done on all grant expenses to ensure that they are being charged to the correct program. If miscoded expenses have already been received from the awarding agency, they should notify the agency and either reimburse the amount and apply the amount to future expenses.

**Views of Responsible Officials and Planned Corrective Actions:**

The Organization recognizes that \$3,100 worth of expenses were miscoded to the wrong grant due to human error. The overall grant expenditures were approximately \$730,000 and this error constituted less than .5% of the total grant award. Although we believe the misstatement to be minor in impact and do not know of processes to control for all human error, the Organization is committed to ensuring that there are no mistakes in the tracking of expenditures. We will more thoroughly review all grant allocations.

HopeWorks of Howard County, Inc.  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

**Section I. Prior Audit Findings**

None.