

HOPE SOUTH FLORIDA, INC.

Financial Statements

December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope South Florida, Inc.

We have audited the accompanying financial statements of Hope South Florida, Inc. (a non profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope South Florida, Inc. as of December 31, 2017, and the changes in 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 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2018 on our consideration of Hope South Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hope South Florida, Inc.'s internal control over financial reporting and compliance.

ROBBINS and MORONEY, P.A.

Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida

April 26, 2018

HOPE SOUTH FLORIDA, INC.
Statement of Financial Position
December 31, 2017

Assets

Current Assets

Cash	\$ 54,586
Contributions and Contracts Receivable	250,724
Accounts Receivable	13,748
Prepaid Expenses	<u>8,014</u>

Total Current Assets 327,072

Non-Current Assets

Property and Equipment	998,723
Other Assets	<u>4,821</u>

Total Non-Current Assets 1,003,544

Total Assets \$ 1,330,616

Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 62,797
Current Portion of Notes Payable	<u>168,759</u>

Total Current Liabilities 231,556

Non-Current Liabilities

Notes Payable	<u>514,946</u>
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Total Liabilities 746,502

Net Assets

Unrestricted	343,374
Temporarily Restricted	<u>240,740</u>

Total Net Assets 584,114

Total Liabilities and Net Assets \$ 1,330,616

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

HOPE SOUTH FLORIDA, INC.
Statement of Activities
For the Year Ended December 31, 2017

Unrestricted Net Assets

Public Support and Revenues

Grants and Contributions	\$ 2,446,532
Residence Fees	81,823
Rental Income	26,507
Fundraising Events	203,034
Less: Fundraising Event Expenses	(47,009)
Forgiveness of Debt	12,500
Contributed Services, Facilities and Materials	258,989
Net Assets Released from Restrictions	<u>110,173</u>
Total Public Support and Revenues	<u>3,092,549</u>

Expenses

Program Services

Homeless Assistance	2,619,210
Contributed Services, Facilities and Materials	<u>238,017</u>
Total Program Services	<u>2,857,227</u>

Supporting Services

General and Administrative	305,341
Fundraising	206,182
Contributed Services, Facilities and Materials	<u>20,972</u>
Total Supporting Services	<u>532,495</u>

Total Expenses 3,389,722

Change in Unrestricted Net Assets (297,173)

Temporarily Restricted Net Assets

Contributions	47,900
Net Assets Released from Restrictions	<u>(110,173)</u>

Change in Temporarily Restricted Net Assets (62,273)

Change in Net Assets (359,446)

Net Assets, Beginning of Year 943,560

Net Assets, End of Year \$ 584,114

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

HOPE SOUTH FLORIDA, INC.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in Net Assets	\$ (359,446)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:	
Depreciation and Amortization	42,193
Forgiveness of Debt	(12,500)
Changes in Assets and Liabilities:	
Decrease in Contributions and Contracts Receivable	166,796
Increase in Accounts Receivable	(4,004)
Decrease in Prepaid Expenses	2,870
Increase in Accounts Payable and Accrued Expenses	3,734
Net Cash Flows from Operating Activities	<u>(160,357)</u>
 Cash Flows from Investing Activities	
Acquisition of Property and Equipment	<u>(68,375)</u>
Net Cash Flows from Investing Activities	<u>(68,375)</u>
 Cash Flows from Financing Activities	
Proceeds from Notes Payable	144,228
Payments on Notes Payable	(17,405)
Deferred Loan Costs	<u>(13,994)</u>
Net Cash Flows from Financing Activities	<u>112,829</u>
 Net Change in Cash and Cash Equivalents	(115,903)
 Cash and Cash Equivalents, Beginning of Year	<u>170,489</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 54,586</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash Paid During the Year for Interest	<u>\$ 18,883</u>
 SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES:	
Property and Equipment Acquired with Note Payable	<u>\$ 500,000</u>

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

HOPE SOUTH FLORIDA, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Homeless Assistance</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Labor and Benefits	\$ 999,575	\$ 217,459	\$ 174,954	\$ 1,391,988
Client Assistance	1,252,022			1,252,022
Utilities	69,328	497		69,825
Contract Labor	62,986	3,024	3,303	69,313
Insurance	45,369	18,102	3,456	66,927
Office	25,025	15,438	17,810	58,273
Depreciation	40,861	924		41,785
Telephone	21,182	9,275	1,553	32,010
Professional Fees	14,095	11,368		25,463
Vehicles	22,968			22,968
Rent	20,485			20,485
Repairs and Maintenance	17,300	2,958	22	20,280
Interest	15,291	3,592		18,883
Credit Card and Financing Fees		17,306		17,306
Travel	8,471	101	337	8,909
Training and Conferences	2,384	2,962	1,613	6,959
Printing and Publications	937	325	1,804	3,066
Postage	46	1,287	535	1,868
Marketing		666	795	1,461
Miscellaneous	885	57		942
	<u>\$ 2,619,210</u>	<u>\$ 305,341</u>	<u>\$ 206,182</u>	<u>\$ 3,130,733</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Hope South Florida, Inc. is a Christian-based 501(c)(3) non-profit organization, operating since 1995, that has provided crisis and rapid re-housing assistance, shared meals and family support, to thousands of homeless families, veterans and individuals. Hope South Florida, Inc., (the "Organization"), was established to provide hope for hopeless and homes to the homeless, through services and partnerships with the Christian community.

Basis of Accounting: The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Date of Management's Review: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 26, 2018, the date that the financial statements were available to be issued.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions and Contracts Receivable and Accounts Receivable: Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. The allowance for doubtful accounts at December 31, 2017 was \$12,000.

Property and Equipment: Property and equipment are stated at cost and donated assets are recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line basis over the expected useful lives of the assets, generally five to seven years for furniture and equipment and ten to thirty years for building and improvements. Maintenance expenses are charged to expense as incurred.

Income Taxes: As a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from corporate income taxation on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization has not incurred any interest or penalties on its income tax returns.

The Organization's tax returns are subject to possible examination by the taxing authorities. For Federal income tax purposes, tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial Statement Presentation: Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Includes amounts which have no external restrictions and which are available for support of current operations.

Temporarily Restricted – Includes amounts which have donor-restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or restrictions that expire by the passage of time.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Time-restricted and purpose-restricted contributions are required to be reported as temporarily restricted support. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Contributed Services, Facilities and Materials: Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed facilities and materials are also recorded at their fair values in the period received.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The cost of providing the various activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs have been allocated among the program and supporting services benefited.

Fair Value of Financial Instruments: Cash equivalents, contributions and contracts receivable, accounts receivable, prepaid expenses, other assets, accounts payable and accrued expenses are reflected in the financial statements at cost, which approximate fair value because of their short-term nature.

2. **CONTRIBUTIONS AND CONTRACTS RECEIVABLE**

At December 31, 2017, contributions and contracts receivable are comprised of the following:

Contributions Receivable	\$ 23,950
Contracts Receivable	<u>226,774</u>
	<u>\$ 250,724</u>

HOPE SOUTH FLORIDA, INC.
Notes to Financial Statements
December 31, 2017

3. PROPERTY AND EQUIPMENT

At December 31, 2017, property and equipment consisted of:

Land	\$ 198,870
Building and Improvements	906,066
Furniture and Equipment	71,995
Vehicles	<u>104,436</u>
	1,281,367
Accumulated Depreciation	<u>(282,644)</u>
	<u>\$ 998,723</u>

4. NOTES PAYABLE

At December 31, 2017, notes payable consisted of:

Note payable to a corporation, variable rate of interest based on lender's discretion (3.5% at December 31, 2017). Monthly principal and interest payments of \$2,916 with the final installment due in the year 2037. The note is secured by land and building.

\$ 490,390

Note payable to a bank, variable rate of interest based on an index plus 1.5%, but never less than 3.9%. Monthly principal and interest payments of \$697 with the final installment due in the year 2026. The note is secured by land and building.

62,281

Line of credit with a maximum amount of \$150,000 to a bank with interest payable monthly based on an index (4.5% at December 31, 2017). The line of credit expires in October 2018 with unpaid principal and interest due. The note is secured by land and building.

144,620

697,291

Less Deferred Loan Costs

(13,586)

683,705

Less: Current Portion

(168,759)

Non-Current Portion

\$ 514,946

Future maturities of notes payable at December 31, 2017 are as follows:

Year ended December 31,	2018	\$ 168,759
	2019	25,023
	2020	25,938
	2021	26,888
	2022	27,873
	Thereafter	<u>422,810</u>
		<u>\$ 697,291</u>

5. RESTRICTIONS ON ASSETS

Temporarily restricted net assets are available for the following purposes:

Programs	\$ 37,082
Future Periods	<u>203,658</u>
	<u>\$ 240,740</u>

Residential property was donated to the Organization in 2012 subject to a use restriction that requires the property be operated as supportive housing for persons with mental illness for a term of ninety-nine years. As an inducement for the donor to convey title of the residential property, the Organization has entered into an agreement to own, operate and manage the property in accordance with the use restriction and other outcome metrics and brand standards as set forth in the agreement. The property will revert back to the donor if the terms of the agreement are not adhered to.

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

Programs	\$ 105,075
Passage of Specified Time	<u>5,098</u>
	<u>\$ 110,173</u>

6. CONTRIBUTED SERVICES, FACILITIES, AND MATERIALS

The value of contributed services, facilities, and materials included in the financial statements for the year ended December 31, 2017, are as follows:

Support and Revenues	
Food	\$ 150,000
Supplies	30,800
Transportation	23,600
Rent	29,700
Furnishings	18,544
Client Assistance	<u>6,345</u>
	<u>\$ 258,989</u>
Expenses	
Homeless Assistance	\$ 238,017
General and Administrative	17,462
Fundraising	<u>3,510</u>
	<u>\$ 258,989</u>

Donated volunteer service hours totaling 9,500 hours were not recognized in the financial statements because they did not meet the criteria for recognition.

7. LEASES

The Organization leases on a month-to-month basis office space used by case workers and managers. In addition, the Organization’s administrative staff has use of a facility where no rent is charged.

In March 2009, the Organization entered into a 15-year lease for the operation of the Hope Central property at \$1 a year. The property is being used for assistance to families in Broward County. On April 6, 2017, the property was purchased by the Organization.

The Organization leases office equipment under an agreement that expires in August 2022.

Rent expense for all leases was \$7,753 for the year ended December 31, 2017.

Minimum future lease payments on these leases are as follows:

Year ended December 31,	2018	\$	7,640
	2019		7,640
	2020		7,640
	2021		7,640
	2022		5,093
			<u>\$ 35,653</u>

8. GOVERNMENT GRANTS

The following grants and contracts are included in the statement of activities for the year ended December 31, 2017:

<u>Grantor</u>	<u>Contract Number</u>	<u>Total Contract</u>	<u>Collections Through 12/31/17</u>
Broward County	16-CP-HIP-8254-01		
	Option Period 1	\$ 683,529	\$ 576,462
	Option Period 2	\$ 636,943	\$ 64,302
Broward County	15-CP-HIP-8254-HUD13-01		
	Option Period 1	\$ 273,878	\$ 268,195
	Option Period 2	\$ 271,675	\$ 263,380
Broward County	18-CP-HIP-8254-HUD16-01	\$ 272,402	\$

8. GOVERNMENT GRANTS (continued)

<u>Grantor</u>	<u>Contract Number</u>	<u>Total Contract</u>	<u>Collections Through 12/31/17</u>
City of Hollywood	Home Program (R-2015-140) 3/1/14 – 9/30/18	\$ 439,000	\$ 354,542
City of Hollywood	Community Development Block Grant 10/1/15 – 9/30/16	\$ 12,000	\$ 12,000
	10/1/16 – 9/30/17	\$ 15,023	\$ 15,023
	10/1/17 – 9/30/18	\$ 10,891	\$

9. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash equivalents and unsecured receivables. The Organization's ability to collect these receivables is dependent upon economic conditions and the financial condition of its customers. The Organization has not experienced significant losses related to receivables. Management believes no additional credit risk is inherent in the Organization's receivables.

The Organization maintains demand deposits at commercial banks which, at times, may exceed the depositor's insurance provided by the applicable guarantee agency. At December 31, 2017, no amounts exceeded the federally insured limits.

For the year ended December 31, 2017, the Organization received approximately 28% and 13% of its public support and revenue from a county government and a federal agency, respectively. At December 31, 2017, 57% and 13% of the Organization's contributions and contracts receivable were due from the county government and federal agency, respectively.

10. CONTINGENCIES

In the normal course of activities, the Organization receives grants and other forms of reimbursement from various government agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. Management of the Organization believes that the liability, if any, for any reimbursement which may arise as the result of audits would not be material.

SUPPLEMENTARY FINANCIAL INFORMATION

HOPE SOUTH FLORIDA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

<u>Federal/Local Agency Pass-through Entity Federal Program</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Veterans Affairs			
Direct:			
VA Homeless Providers Grant and Per Diem Program	64.024	12-130-FL	\$ <u>408,447</u>
U.S. Department of Housing and Urban Development			
Pass-through Programs from:			
Broward County, Florida	14.267	15-CP-HIP-8254-HUD-13-01	245,849
Broward County, Florida	14.267	18-CP-HIP-8254-HUD-16-01	10,481
City of Hollywood, Florida	14.239	Home Program	115,607
City of Hollywood, Florida	14.218	Reach Program	<u>14,079</u>
Total U.S. Department of Housing and Urban Development			<u>386,016</u>
U.S. Department of Homeland Security			
Pass-through Programs from:			
Broward County, Florida	97.024	Emergency Food and Shelter Program - Phase 34	<u>33,667</u>
Total Expenditures of Federal Awards			<u>\$ 828,130</u>

Note: *There were no awards passed through to sub-recipients.*

See independent auditor's report and accompanying notes to
Schedule of Expenditures of Federal Awards

HOPE SOUTH FLORIDA, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“SEFA”) includes the federal grant activity of Hope South Florida, Inc. under programs of the federal government for the year ended December 31, 2017. The information in this SEFA 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 SEFA presents only a selected portion of the operations of Hope South Florida, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hope South Florida, Inc.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the SEFA 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 allowed or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE C – INDIRECT COST RATE

- (1) Hope South Florida, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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

Board of Directors
Hope South Florida, 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 of the United States, the financial statements of Hope South Florida, Inc. (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

**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
(continued)**

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.

ROBBINS and MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
April 26, 2018

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

Board of Directors
Hope South Florida, Inc.

Reporting on Compliance for Each Major Federal Program

We have audited Hope South Florida, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Hope South Florida, Inc.'s major federal programs for the year ended December 31, 2017. Hope South Florida, Inc.'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 Hope South Florida, Inc.'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 Hope South Florida, Inc.'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 Hope South Florida, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Hope South Florida, Inc. 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, 2017.

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

Report on Internal Control Over Compliance

Management of Hope South Florida, Inc. 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, we considered Hope South Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Hope South Florida, Inc.'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 of 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.

ROBBINS and MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
April 26, 2018

HOPE SOUTH FLORIDA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Hope South Florida, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies 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 Hope South Florida, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Hope South Florida, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs were:

Federal Programs:

U.S. Department of Veterans Affairs

CFDA No.

VA Homeless Providers Grant and Per Diem Program

64.024

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Hope South Florida, Inc. did not qualify as a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT – None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT - None