



**HOPEWORKS
AND CONTROLLED AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2020

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FOR THE YEAR ENDED JUNE 30, 2020**

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**HOPEWORKS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2020**

BOARD OF DIRECTORS

Mark Fidel	Chair
Cathy Cavanaugh	Vice-Chair
Marty Mathisen, CPA, CGFM, CFE	Treasurer
Elizabeth A. Heaphy	Secretary
Sonya Burke	Director
Sanjay Engineer	Director
Rev. Seth Finch	Director
Mark Fidel	Director
Rabbi Min Kantrowitz	Director
Dr. Joe Gorvetzian	Director
Angie Kelic	Director
James King	Director
Kent Lowry	Director
William R. Miller	Director
Dr. Holly Nelson	Director

ADMINISTRATIVE STAFF

Greg Morris	Executive Director
Vicky Palmer	Associate Director
Jason Greving, CPA	Chief Financial Officer

To the Board of Directors
HopeWorks and
Controlled Affiliate
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the consolidated statement of financial position of HopeWorks and Controlled Affiliate, (collectively referred to as HopeWorks), as of June 30, 2020 and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HopeWorks as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

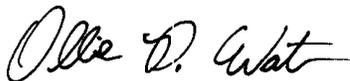
We have previously audited HopeWorks' 2019 financial statements, and in our report dated October 31, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 19, 2021 on our consideration of the HopeWorks' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, 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 result of that testing, and not to provide an opinion on the effectiveness of HopeWorks' 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 HopeWorks' internal control over financial reporting and compliance.



Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
January 19, 2021

HOPEWORKS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

ASSETS:

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 2,392,570	\$ 500,398
Investments (Note 3)	1,532,801	2,929
Pledges Receivable (Note 4)	63,616	110,000
Grant Receivables (Note 5)	584,113	647,946
Program Receivables (Note 6)	14,495	217,476
Prepaid Expenses & Deposits (Note 7)	7,600	51,718
Inventory	-	17,169
Total Current Assets	<u>4,595,195</u>	<u>1,547,636</u>
Property & Equipment		
Property & Equipment (Note 8)	5,320,219	4,908,821
Less Accumulated Depreciation (Note 8)	(1,900,535)	(1,744,940)
Net Property & Equipment	<u>3,419,684</u>	<u>3,163,881</u>
Other Assets		
Endowment (Note 1, item R)	158,146	157,856
Total Other Assets	<u>158,146</u>	<u>157,856</u>
Total Assets	<u>\$ 8,173,025</u>	<u>\$ 4,869,373</u>

LIABILITIES:

Current Liabilities		
Accounts Payable	\$ 76,565	\$ 206,758
Accrued Wages & Benefits (Note 9)	312,412	392,425
Payroll Tax Liabilities	78,369	62,889
Client Custodial Accounts	-	2,108
Current Portion of Notes Payable (Note 11)	31,033	29,723
Total Current Liabilities	<u>498,379</u>	<u>693,903</u>
Long Term Liabilities		
Notes Payable-net of current portion (Note 11)	439,564	470,597
Note Payable-Single Site (Note 11)	1,466,701	1,123,911
Payment Protection Program Loan (Note 12)	1,102,712	-
Total Long Term Liabilities	<u>3,008,977</u>	<u>1,594,508</u>
Total Liabilities	<u>3,507,356</u>	<u>2,288,411</u>

NET ASSETS:

Without Donor Restriction (Note 13)	2,806,652	2,300,800
With Donor Restriction (Note 13)	1,859,017	280,162
Total Net Assets	<u>4,665,669</u>	<u>2,580,962</u>
Total Liabilities & Net Assets	<u>\$ 8,173,025</u>	<u>\$ 4,869,373</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

HOPEWORKS
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

	<u>WITHOUT DONOR RESTRICTION</u>	<u>WITH DONOR RESTRICTION</u>	<u>2020 TOTAL</u>	<u>2019 TOTAL</u>
REVENUE AND SUPPORT:				
Grants	\$ 5,343,818	\$ -	\$ 5,343,818	\$ 4,952,455
Medicaid Fees	2,448,861	-	2,448,861	2,584,559
Contributions and Support	1,067,416	2,520,000	3,587,416	791,112
In-Kind Income (Note 14)	504,087	-	504,087	697,595
Program Income	178,872	-	178,872	370,137
United Way Allocations		63,616	63,616	110,000
Administrative Income	73,630	-	73,630	34,313
Event Income	10,290	-	10,290	23,846
Investment Gain (Loss)	(72,245)	-	(72,245)	8,017
Interest Income	38,420	-	38,420	2,404
Net Assets released from restrictions:				
Restrictions satisfied by program payments and the passage of time	1,004,761	(1,004,761)	-	-
Total Revenue and Support	<u>10,597,910</u>	<u>1,578,855</u>	<u>12,176,765</u>	<u>9,574,438</u>
EXPENSES:				
Program	8,621,190	-	8,621,190	8,697,328
Management & General	1,095,741	-	1,095,741	1,068,891
Fundraising (Note 17)	207,544	-	207,544	177,577
Total Expenses before Depreciation	<u>9,924,475</u>	<u>-</u>	<u>9,924,475</u>	<u>9,943,796</u>
Change in Net Assets before Depreciation	673,435	1,578,855	2,252,290	(369,358)
Depreciation Expense (Note 8)	<u>167,583</u>	<u>-</u>	<u>167,583</u>	<u>160,488</u>
Increase (Decrease) in Net Assets	505,852	1,578,855	2,084,707	(529,846)
Restatement of Net Assets	-	-	-	23,566
Net Assets at Beginning of Year	<u>2,300,800</u>	<u>280,162</u>	<u>2,580,962</u>	<u>3,087,242</u>
Net Assets at End of Year	<u>\$ 2,806,652</u>	<u>\$ 1,859,017</u>	<u>\$ 4,665,669</u>	<u>\$ 2,580,962</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Intergral Part Of These Financial Statements

HOPEWORKS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

	PROGRAM SERVICES					TOTAL
	BEHAVIORAL					PROGRAM
	HEALTH	HOUSING	EMPLOYMENT	HOPE FOUND	SHELTER	SERVICES
Salaries & Wages	\$ 3,100,622	\$ 203,232	\$ 296,136	\$ 227,162	\$ 346,382	\$ 4,173,534
Payroll Taxes	248,559	16,235	25,365	17,730	28,559	336,447
Benefits (Note 15)	302,155	18,535	23,113	28,234	31,016	403,052
Asst to Beneficiaries	83,635	1,368,404	48,384	489,808	591,301	2,581,532
Professional Services	327,279	1,725	135	11,998	64,448	405,585
Rents & Leases	125,943	-	16,200	10,613	698	153,454
Insurance	60,731	-	3,457	-	9,733	73,922
Office and Operating Supplies	31,960	2,406	57,489	4,968	1,760	98,583
Communications	58,003	2,720	2,157	8,875	4,704	76,459
Utilities	44,621	-	-	3,028	23,149	70,798
Recruiting (Note 16)	48,637	6,603	1,770	64	1,452	58,526
Travel & Transportation	47,452	5,629	1,124	5,027	3,862	63,094
Repairs & Maintenance	15,943	-	729	39	15,720	32,431
Conferences & Meetings	16,231	200	445	7,672	229	24,778
Postage & Printing	1,755	685	258	58	-	2,756
Miscellaneous	655	3,171	2,686	2,411	-	8,923
Interest Expense	6,245	-	-	7,270	-	13,515
Equipment Non-Capital	13,947	-	-	-	-	13,947
Dues & Subscriptions	2,539	-	3,086	216	364	6,205
Community Relations	-	-	3,302	-	38	3,340
Fundraising	-	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Loss on Disposal of Asset	-	-	20,309	-	-	20,309
Expenses Before Depreciation	<u>4,536,912</u>	<u>1,629,544</u>	<u>506,145</u>	<u>825,173</u>	<u>1,123,416</u>	<u>8,621,190</u>
Depreciation Expense (Note 8)	<u>44,899</u>	<u>2,719</u>	<u>1,394</u>	<u>2,249</u>	<u>51,437</u>	<u>102,698</u>
Total Expenses	<u>\$ 4,581,811</u>	<u>\$ 1,632,263</u>	<u>\$ 507,539</u>	<u>\$ 827,422</u>	<u>\$ 1,174,852</u>	<u>\$ 8,723,887</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

HOPEWORKS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

	SUPPORTING SERVICES			2020	2019
	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL SUPPORTING SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
Salaries & Wages	\$ 732,436	\$ 138,169	\$ 870,605	\$ 5,044,139	\$ 4,806,496
Payroll Taxes	56,868	10,443	67,311	403,758	371,653
Benefits (Note 15)	54,635	10,663	65,298	468,351	490,379
Asst to Beneficiaries	332	-	332	2,581,864	2,779,959
Professional Services	147,188	10,386	157,573	563,159	631,754
Rents & Leases	5,613	164	5,776	159,230	151,601
Insurance	37,279	-	37,279	111,201	86,193
Office and Operating Supplies	6,667	1,581	8,248	106,831	132,434
Communications	5,326	450	5,776	82,236	71,695
Utilities	7,065	-	7,065	77,863	78,697
Recruiting (Note 16)	2,568	4,332	6,900	65,426	18,273
Travel & Transportation	388	229	617	63,711	62,701
Repairs & Maintenance	7,331	-	7,331	39,762	48,863
Conferences & Meetings	4,426	565	4,991	29,769	39,966
Postage & Printing	1,522	24,676	26,199	28,955	20,645
Miscellaneous	10,429	3,566	13,995	22,918	28,492
Interest Expense	6,847	-	6,847	20,362	21,512
Equipment Non-Capital	3,058	-	3,058	17,005	24,771
Dues & Subscriptions	2,492	608	3,099	9,304	32,415
Community Relations	3,271	592	3,863	7,202	7,233
Fundraising	-	1,120	1,120	1,120	2,327
Office Supplies	-	-	-	-	35,737
Loss on Disposal of Asset	-	-	-	20,309	-
Expenses Before Depreciation	<u>1,095,741</u>	<u>207,544</u>	<u>1,303,285</u>	<u>9,924,475</u>	<u>9,943,796</u>
Depreciation Expense (Note 8)	<u>64,886</u>	<u>-</u>	<u>64,886</u>	<u>167,583</u>	<u>160,488</u>
Total Expenses	<u>\$ 1,160,627</u>	<u>\$ 207,544</u>	<u>\$ 1,368,171</u>	<u>\$ 10,092,058</u>	<u>\$ 10,104,284</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

HOPEWORKS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantors	\$ 5,406,290	\$ 5,133,126
Cash received from Medicaid fees	2,650,331	2,662,957
Cash received from program fees	181,744	346,724
Cash received from contributions and support	3,771,046	934,225
Cash received from fundraising event	10,290	23,846
Cash received from interest income	38,684	2,404
Cash paid to and on behalf of employees	(5,936,662)	(5,442,944)
Cash paid for assistance to beneficiaries	(1,573,690)	(2,090,364)
Cash paid for operating expenses	(2,002,918)	(1,395,384)
Cash paid for interest	(20,362)	(21,512)
Net cash provided (used) by operating activities	<u>2,524,753</u>	<u>153,078</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of RBC Investment	(2,982,509)	-
Proceeds from RBC Investment	1,378,308	-
Cash paid for investment in property and equipment	(443,869)	(1,160,905)
Fees paid from Endowment	4,748	1,498
Dividends and interest reinvested	(5,038)	(2,308)
Net cash provided (used) by investing activities	<u>(2,048,360)</u>	<u>(1,161,715)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(29,723)	(28,572)
Proceeds from construction forgivable loan	342,790	1,123,911
Proceeds from line of credit: Paycheck Protection Program	1,102,712	-
Net cash provided (used) by financing activities	<u>1,415,779</u>	<u>1,095,339</u>
Net increase (decrease) in cash and cash equivalents	1,892,172	86,702
Cash and cash equivalents at beginning of year	<u>500,398</u>	<u>413,696</u>
Cash and cash equivalents at end of year	<u>\$ 2,392,570</u>	<u>\$ 500,398</u>
Cash displayed on Statement of Position as:		
Cash & Cash Equivalents	<u>2,392,570</u>	<u>500,398</u>
	<u>\$ 2,392,570</u>	<u>\$ 500,398</u>
SIGNIFICANT NON CASH ACTIVITIES		
In-Kind Donation of Materials	<u>504,087</u>	<u>697,595</u>
Total non-cash activities	<u>504,087</u>	<u>697,595</u>

SEE INDEPENDENT AUDITOR'S REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies

A. Function of Entity

Parent Organization

HopeWorks, a nonprofit organization was incorporated under the laws of the State of New Mexico on October 30th, 1985. The stated mission of HopeWorks is to assist people who are experiencing homelessness by providing resources, opportunities, and hope.

HopeWorks' major funding is provided by the U.S. Department of Housing and Urban Development, the U.S. Department of Health and Human Services, the New Mexico Department of Health, the City of Albuquerque, the New Mexico Mortgage Finance Authority, the United Way of Central New Mexico, with additional support from various private foundations, individual and corporate contributions. Programs supported by these funding sources are as follows:

Shelter Services

- The Shelter Services program is designed to meet the most basic needs of persons living on the street. This program also serves as an entryway for other program services and assistance. This program provides individuals and families with a morning meal, shower and hygiene facilities, ID services, traveler's aid, storage, mail and telephone service, and advocacy services.

Behavioral Health Services

- The Behavioral Health program provides a continuum of behavioral health services including psycho-social assessments, counseling and therapy, psych-social rehab groups and therapy groups, case management services including intensive case management for clients who have severe mental illness and/or co-occurring disorders, social work, and individual and group recovery services.
- The Behavioral Health program also provides services for the development and support of residence for former prisoners returning to society, counseling services, and behavioral health services.

Housing

- HopeWorks operates 4 housing programs: Continuum Of Care Rental Assistance, City of Albuquerque Almost Home, Home Tenant Based Rental Assistance and Continuum Of Care Transitional Housing. The Continuum Of Care Rental Assistance and Albuquerque Almost Home programs provide permanent supportive housing. Home Tenant Based Rental Assistance and Continuum Of Care Transitional Housing programs are designed to support clients while they get stabilized in employment, school, and eventually permanent housing. Participants in all housing programs pay a portion of their rent based on their income.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

A. Function of Entity-continued

Employment

- HopeWorks provides pre-employment services, job placement services and other employment related options for clients who are willing and able to work.

The Hope Cafe

- The Hope Cafe is an employment training center for HopeWorks. It is a working classroom that teaches individuals that are exiting homelessness marketable job skills so they can gain full-time employment. Due to a substantial reduction in grant funding for the program, the Hope Café was unable to sustain itself and generated operating losses over multiple years. Management decided to terminate the program effective March 31st, 2020.

Rapid Re-Housing

- Rapid Re-Housing provides up to 6 months of housing vouchers to clients while preparing them for long-term permanent housing outside of the program.

Hope Found

- Hope Found is a program designed to assist families with children currently living in a shelter or place not meant for human habitation. Hope Found provides housing first, coupled with case management to facilitate permanent housing solutions for participating families.

HopeWorks is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. The Board is limited to a minimum of five members and a maximum of twenty-four members. Board members represent government, healthcare, business, public sector, private individuals, and organizations that serve the community. The term served by a Board member is three years. A maximum of two terms can be served consecutively by a Board member.

Controlled Affiliate

The controlled affiliate consists of a single purpose limited liability entity. The function of the controlled affiliate is as follows:

- **New Hope Housing, LLC** – was organized under the laws of the State of New Mexico in October of 2012. The mission of New Hope Housing is to provide affordable, safe, and dignified housing for low income and / or individuals and families attempting to exit homelessness and find permanent housing.

Principles of Consolidation

The consolidated financial statements include the accounts of HopeWorks and New Hope Housing, LLC. Intercompany accounts and transaction for these entities have been eliminated in the preparation of the consolidated financial statements.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

B. Tax Exempt Status

HopeWorks is exempt from Federal Income taxes under section 501C (3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

New Hope Housing, LLC. Is a domestic limited liability company exempt from taxation under the laws of the State of New Mexico and is considered a pass-through entity for federal income tax purposes.

C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

D. Financial Statement Presentation

The accompanying financial statements have been prepared following the guidance required under Accounting Standards Codification (ASC) #958-605 “*Not for Profit Entities-Revenue Recognition*” and (ASC) #958-205, “*Not-for-Profit Entities-Presentation of Financial Statements.*” Under guidance expressed in these statements, “An organization’s net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these two classes of net assets; *net assets without donor restriction and net assets with donor restriction*, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities”.

Amounts for HopeWorks’ total assets, liabilities and net assets are to be reported in a statement of financial position; the change in HopeWorks’ net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

E. Liquidity Assessment

HopeWorks financial assets available within one year of the statement of position date for general expenditure are as follows:

Cash and Cash Equivalents	\$ 2,392,570
Short Term Investments	2,955
Pledges Receivable	63,616
Grant Receivables	585,474
Program Receivables	<u>13,134</u>
Total	<u>\$ 3,057,749</u>

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

F. Statement of Cash Flows

For purposes of the statement of cash flows, HopeWorks considers all highly liquid investments with an original maturity of three months or less as cash equivalents. On June 30, 2020, HopeWorks did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions.

G. Grant Receivables

Grant receivables represent the amount expended during the grant period but reimbursed by the grantor after year-end. When revenues are received in the next year, the receivable will then be reduced.

H. Fair Values Measured on Recurring Basis

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 1, 2008, HopeWorks has adopted ASC 820.

ASC 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 measurement) and the lowest to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under ASC #820 are described below.

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, HopeWorks’ assets, and liabilities at fair value, as of June 30, 2020. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below represents fair value measurement hierarchy of the assets at fair values as of June 30, 2020:

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

I. Fair Values Measured on Recurring Basis-continued

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$1,532,801	\$1,532,801	\$ -0-	\$ -0-
Endowment	<u>158,146</u>	<u>-0-</u>	<u>158,146</u>	<u>-0-</u>
Total assets	<u>\$1,690,947</u>	<u>\$1,532,801</u>	<u>\$158,146</u>	<u>\$ -0-</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

J. Fixed Assets

Fixed assets are stated at cost. HopeWorks capitalizes all acquisitions at cost in excess of \$2,500 with a useful life of more than one year. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets. Asset lives range from three to forty years.

K. Contribution of Services

Contributions of services are recognized in the financial statements of HopeWorks only if the 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.

L. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HopeWorks reports expirations of donor restrictions when the donated, or acquired assets are placed in service as instructed by the donor. HopeWorks reclassifies *net assets with donor restriction* to *net assets without donor restriction* at that time.

M. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in 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.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

N. Restricted and Unrestricted Support and Revenue

Contributions received are recorded as *net assets without donor restriction* or *net assets with donor restriction*, support, depending on the existence or nature of any donor 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. All other donor-restricted support is reported as an increase in *net assets with donor restriction*, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), *net assets with donor restriction* are reclassified to *net assets without donor restriction* and reported in the Statement of Activities as net assets released from restrictions.

O. Allowance for Doubtful Accounts

HopeWorks uses the allowance method to account for uncollectible client receivables. HopeWorks provides an allowance for uncollectible accounts equal to the estimated uncollectible portion of a client receivable. Management's estimate is based on historical experience and its evaluation of the current status of the client receivable.

P. Expense Allocation

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Q. Endowment Fund

In August 2016, the Financial Accounting Standards Board (FASB) issued ASC 958-205-50-1B *Reporting Endowment Funds* which includes the following financial statement disclosure requirements for HopeWorks for the year ended June 30, 2020.

- Classification of net assets

Endowment funds are used to account for investments in which the principal is restricted by donor or Board designated for a specific purpose.

- Interpretation of relevant law

HopeWorks has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, HopeWorks classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as such until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors

**HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1. Summary of significant accounting policies-continued

R. Endowment Fund-continued

in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
 - The purpose of the organization and the donor-restricted endowment fund
 - General economic conditions
 - The possible effect of inflation and deflation
 - The expected total return from income and the appreciation of investments
 - Other resources of the organization
 - The investment policies of the organization
- Spending Policy
 - The amount and timing of each year's distribution shall be as stated in the Albuquerque Community Foundation's current distribution policy. HopeWorks will be notified annually following the end of the Foundation's fiscal year of the amount available for distribution. HopeWorks may elect, in writing, to receive all or part of its current distribution. During the year ended June 30, 2020 earnings from the endowment fund used in operations were \$0.

Endowment Net Asset Composition by Type of Funds as of June 30, 2020 includes:

	<u>Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total Endowment Net Assets</u>
Undesignated	\$44,709	\$ -0-	\$ 44,709
Donor restricted endowment fund	-0-	10,025	10,025
Board designated endowment fund	-0-	103,412	103,412
Total Endowment Funds	<u>\$44,709</u>	<u>\$113,437</u>	<u>\$158,146</u>

Changes in Endowment Net Assets for the year ended June 30, 2020 are as follows:

	<u>Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total Endowment</u>
Endowment net assets, beginning of year	\$ 44,419	\$113,437	\$157,856
Investment income (loss)	1,919	-0-	1,919
Contribution from acquisition	-0-	-0-	-0-
Appropriation of endowments assets for expenditures	1,629	-0-	1,629
Endowment distributions	-0-	-0-	-0-
Endowment net assets, end of year	<u>\$ 44,709</u>	<u>\$113,437</u>	<u>\$158,146</u>

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Summary of significant accounting policies-continued

S. Uncertain Tax Positions

HopeWorks annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. As of June 30, 2020, there were no uncertain tax positions noted. HopeWorks' policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, HopeWorks' tax returns are no longer subject to examination by tax authorities for years prior to 2017.

T. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Prior –Year Comparative Information

The financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended June 30, 2019 from which the summarized information was derived.

V. Subsequent Events

Management has evaluated subsequent events through January 19, 2021, the date which the financial statements were available to issue.

Note 2. Cash Balances

HopeWorks' cash balance on the Statement of Financial Position consists of the following at June 30, 2020:

<u>Account</u>	<u>Balance</u>
Operating Account	\$2,389,820
Petty Cash	<u>2,750</u>
Total	<u>\$2,392,570</u>

At June 30, 2020, the total bank balances were \$2,389,820 of which \$260,346 was insured by federal depository insurance leaving \$2,129,474 uninsured and uncollateralized. Hopeworks has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

**HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 3. Investments

HopeWorks carries investments with readily determinable fair values. Fair values on June 30, 2020 are as follows:

Investments:	
Certificate of deposit	\$ 2,955
Fixed Income	179,307
Equity Investments	<u>1,350,539</u>
Total Investments:	<u>\$ 1,532,801</u>

Investment return is summarized as follows:

Interest Income	29,632
Fees	(3,120)
Realized Loss	(14,488)
Unrealized Loss	<u>(58,905)</u>
Total Investment Return	<u>\$ (46,881)</u>
Average Investments	\$ 767,865
Net Investment Return	\$ (46,881)
Average Return on Investments	(6%)

Note 4. Pledges Receivable

Pledges receivable on June 30, 2020 are as follows:

Unconditional promises expected to be collected in less than one year:

<u>Foundation / Grant</u>	<u>Amount</u>
United Way	<u>\$63,616</u>

Note 5. Grant Receivable

Grant receivables represent the following amounts due to HopeWorks on June 30, 2020:

	<u>Amount</u>
City of Albuquerque	\$367,910
Dept. of Health and Human Services	131,510
BHSD	52,412
Dept. of Housing & Urban Development	17,499
Other	<u>14,782</u>
Total	<u>\$584,113</u>

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 6. Program Receivable

Program receivables on June 30, 2020 are as follows:

<u>Program</u>	<u>Amount</u>
Optum	\$1,038
Molina Health Care	3,134
Presbyterian Health	3,365
Blue Cross Blue Shield	1,251
Western Sky	6,641
Falling Colors	<u>1,361</u>
Total Program Receivable	16,790
Less Allowances	<u>2,295</u>
Net Program Receivables	<u>\$14,495</u>

Note 7. Prepaid Expense and Deposits

Prepaid expense represents amounts paid in advance for the following:

T&C Management Rental Deposit	<u>\$7,600</u>
Total	<u>\$7,600</u>

Note 8. Property and Equipment

The components of property and equipment on June 30, 2020 are as follows:

Building	\$2,053,467
Capital Improvements	1,025,996
Automobiles	261,127
Furniture & Equipment	185,175
Land	166,379
Land-Single Site	1,045,924
Computer Equipment & Software	163,869
Construction in Progress	<u>418,282</u>
Total Property & Equipment	5,320,219
Less: Accumulated Depreciation	<u>1,900,535</u>
Net Property & Equipment	<u>\$ 3,419,684</u>

Depreciation expense for the year ended June 30, 2020 was \$167,583.

Note 9. Accrued Wages & Benefits

Employees of HopeWorks earn wages and annual leave based on stated policies. Earned but unpaid wages and annual leave are payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense in the year of change.

Note 10. Client Custodial Accounts

Unclaimed property represents utility allowances for our housing clients who left the program without utilizing the funds and whose whereabouts are unknown. HopeWorks makes every effort to locate these individuals to return these funds. As of June 30, 2020, the balance due was \$0.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 11. Notes Payable

New Mexico Bank & Trust

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. This loan is payable in monthly installments of \$2,422, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2020 is as follows:

2021	15,624
2022	16,288
2023	16,984
2024	17,393
Thereafter	<u>262,175</u>
Total	<u>\$328,464</u>

Interest expense for the year ended June 30, 2020 was approximately \$14,073.

New Mexico Bank & Trust

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. This loan is payable in monthly installments of \$778, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2020 is as follows:

2021	5,018
2022	5,232
2023	5,455
2024	5,586
Thereafter	<u>84,227</u>
Total	<u>\$105,518</u>

Interest expense for the year ended June 30, 2020 was approximately \$4,623.

New Mexico Bank & Trust

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.00%. This loan is payable in monthly installments of \$974, including interest and principal, and is collateralized by real estate.

Loan maturity for each of the five years subsequent to June 30, 2020 is as follows:

2021	10,391
2022	10,821
2023	11,268
2024	<u>4,134</u>
Total	<u>\$36,615</u>

Interest expense for the year ended June 30, 2019 was approximately \$1,666.

**HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

Note 11. Notes Payable – continued

City of Albuquerque Promissory Note

During the fiscal year ended June 30, 2020, the City of Albuquerque, in partnership with Bernalillo County, committed \$4,000,000 for the construction of a new 42 unit one-bedroom permanent supportive housing facility (single site). HopeWorks has a zero percent promissory note obligation, secured by a mortgage, to the City of Albuquerque over a 30-year term. At the end of the term, and upon completion of the terms and conditions of the agreement, the note will be discharged and forgiven. As of June 30, 2020, the note payable related to the single site purchase of land and pre-development costs was \$1,466,701.

Note 12. Paycheck Protection Program Loan

Hopeworks received a loan from Wells Fargo in the amount of \$1,102,712 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economy Security (CARES) Act. The loan is subject to a note date May 3, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether Hopeworks will be eligible for forgiveness, in whole or in part. The loan bears interest rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning from the date of the note. The loan may be repaid at any time with no prepayment penalty.

Note 13. Net Assets

HopeWorks classifies its net assets into the following categories:

Without Donor Restriction – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments, and other purposes.

With Donor Restriction – net assets subject to donor-imposed stipulations that may or will be met either by actions of HopeWorks and/or the passage of time. *Net Assets With Donor Restriction* on June 30, 2020 consisted of:

<i>Time Restricted:</i>	
United Way	<u>\$63,616</u>
 <i>Purpose Restricted:</i>	
Bezos Foundation	<u>\$1,670,114</u>
<i>Total Purpose Restricted</i>	<u>\$1,670,114</u>
 <i>Subject to HopeWorks Spending Policy and Appropriation:</i>	
Endowment	\$103,412
Endowment	10,025
Allotta Foundation	<u>11,850</u>
<i>Total Subject to Spending Policy and Appropriation:</i>	<u>\$125,287</u>
 <i>Total Net Assets With Donor Restriction</i>	 <u>\$1,859,017</u>

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 14. In-Kind Donations

HopeWorks received in-kind contributions of materials with a market value of \$504,087. In addition, HopeWorks received over 10,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

Note 15. Retirement Plans

HopeWorks participates in a defined contribution retirement plan administered by Principal Funds. This plan is for the benefit of all eligible professional and support staff of HopeWorks who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan currently provides for HopeWorks to make matching contributions up to 1% of eligible employee salary. Retirement expense for the year ended June 30, 2020 totaled \$13,811.

Note 16. Recruiting

HopeWorks expenses recruiting costs as incurred. Recruiting costs are incurred primarily for the recruitment of professional staff.

Note 17. Fundraising

For the year ended June 30, 2020, fundraising expense was \$207,544. Funds raised as a result of these expenses were approximately \$4,165,409. This resulted in a fundraising ratio of 5% (\$207,544 in expenses divided by \$4,165,409 in revenue).

Note 18. New Accounting Standards

Revenue Recognition

In May 2014, the FASB has recently issued Accounting Standards Update (ASU) 2014-09, (Topic 606): *Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. Generally Accepted Accounting Principles (US GAAP) and international standards. The core principle of this ASU is 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. Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2019.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 18. New Accounting Standards-continued

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2021.

Contributions and Exchange Transactions

In June 2018, the FASB issued ASC 958-605 *Not-for-Profit Entities* (FASB Codification Topic 958) to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this update clarifies the criteria for evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2018 with respect to contributions received and fiscal years beginning after December 15, 2019 with respect to contributions made. Early adoption is permitted.

As of the date of these financial statements, management has evaluated these new ASUs and is working to implement the applicable guidance and requirements in the period the ASUs become effective.

Note 19. Contingency

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization had declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting operations across a range of industries. The extent of the impact of COVID-19 on Hopeworks’ operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the services provided, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent of which COVID-19 may impact Hopeworks’ financial condition or results of operations is uncertain.

HOPEWORKS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

Note 20. Concentrations of Risk

Funding from government agencies constitute 44% of HopeWorks' support. This funding is vulnerable to changes in the legislative priorities of the federal, state, and local governments. The management of HopeWorks does not expect that the support from these sources will be lost in the near term.

In addition, state, local, and federal funds awarded to HopeWorks are subject to a closing audit process by granting agencies subsequent to the end of a grant period. At this time, no reasonable estimate can be made as to adjustments in amounts, if any, due to or from grantors that may result from the closing process. Management believes no material reimbursements to granting agencies are due.

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 of
HopeWorks and Controlled Affiliates
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

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 consolidated financial statements of HopeWorks as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HopeWorks' internal control over financial reporting 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 HopeWorks' internal control. Accordingly, we do not express an opinion on the effectiveness of HopeWorks' 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HopeWorks' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Ollie D. Waters". The signature is written in a cursive style with a large initial "O" and a long, sweeping underline.

Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, NM
January 19, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of
HopeWorks and Controlled Affiliates
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program

We have audited HopeWorks' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of HopeWorks' major federal programs for the year ended June 30, 2020. HopeWorks' 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 HopeWorks' 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 HopeWorks' 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 HopeWorks' compliance.

Opinion on Each Major Federal Program

In our opinion, HopeWorks 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, 2020.

Report on Internal Control Over Compliance

Management of HopeWorks 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 HopeWorks' internal control over compliance with the requirements that could have a direct 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 HopeWorks' 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. 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of HopeWorks as of and for the year ended June 30, 2019 and have issued our report thereon dated January 19, 2021, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Ollie D. Waters, CPA, CMA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
January 19, 2021

HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS:	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets				
Cash and Cash Equivalents (Note 2)	\$ 2,364,905	\$ 27,665	\$ -	\$ 2,392,570
Short Term Investments (Note 3)	2,955	-	-	2,955
Pledges Receivable (Note 4)	63,616	-	-	63,616
Grant Receivables (Note 5)	584,113	-	-	584,113
Program Receivables (Note 6)	14,495	-	-	14,495
Prepaid Expenses and Deposits (Note 7)	7,600	-	-	7,600
Total Current Assets	<u>3,037,684</u>	<u>27,665</u>	<u>-</u>	<u>3,065,349</u>
Property & Equipment				
Property & Equipment (Note 8)	3,853,518	1,466,701	-	5,320,219
Less Accumulated Depreciation (Note 8)	<u>(1,900,535)</u>	<u>-</u>	<u>-</u>	<u>(1,900,535)</u>
Net Property & Equipment	<u>1,952,983</u>	<u>1,466,701</u>	<u>-</u>	<u>3,419,684</u>
Other Assets				
Endowment (Note 1, item O)	158,146	-	-	158,146
Investment (Note	1,529,846	-	-	1,529,846
Total Other Assets	<u>1,687,992</u>	<u>-</u>	<u>-</u>	<u>1,687,992</u>
Total Assets	<u>\$ 6,678,659</u>	<u>\$ 1,494,366</u>	<u>\$ -</u>	<u>\$ 8,173,025</u>
LIABILITIES:				
Current Liabilities				
Accounts Payable	\$ 76,565	\$ -	\$ -	\$ 76,565
Accrued Wages & Benefits (Note 9)	312,412	-	-	312,412
Payroll Tax Liabilities	78,369	-	-	78,369
Current Portion of Note Payable (Note 11)	31,033	-	-	31,033
Total Current Liabilities	<u>498,379</u>	<u>-</u>	<u>-</u>	<u>498,379</u>
Long Term Liabilities				
Notes Payable-net of current portion (Note 11)	439,564	-	-	439,564
Note Payable-Single Site (Note 11)	-	1,466,701	-	1,466,701
PPP Loan (Note	1,102,712	-	-	1,102,712
Total Long Term Liabilities	<u>1,542,276</u>	<u>1,466,701</u>	<u>-</u>	<u>3,008,977</u>
Total Liabilities	<u>2,040,655</u>	<u>1,466,701</u>	<u>-</u>	<u>3,507,356</u>
NET ASSETS:				
Without Donor Restriction (Note 12)	2,778,987	27,665	-	2,806,652
With Donor Restriction (Note 12)	1,859,017	-	-	1,859,017
Total Net Assets	<u>4,638,004</u>	<u>27,665</u>	<u>-</u>	<u>4,665,669</u>
Total Liabilities & Net Assets	<u>\$ 6,678,659</u>	<u>\$ 1,494,366</u>	<u>\$ -</u>	<u>\$ 8,173,025</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>	<u>Eliminations</u>	<u>Totals</u>
REVENUE:				
Grants	\$ 5,343,818	\$ -	\$ -	\$ 5,343,818
Medicaid Fees	2,448,861	-	-	2,448,861
Contributions and Support	3,587,416	-	-	3,587,416
In-Kind Income (Note 13)	504,087	-	-	504,087
Program Income	178,872	-	-	178,872
United Way Allocation	63,616	-	-	63,616
Administrative Income	73,630	-	-	73,630
Event Income	10,290	-	-	10,290
Investment Gain (Loss)	(72,245)	-	-	(72,245)
Interest Income	38,420	-	-	38,420
	<u>12,176,765</u>	<u>-</u>	<u>-</u>	<u>12,176,765</u>
Total Revenue				
EXPENSES:				
Program	8,621,190	-	-	8,621,190
Management & General	1,095,741	-	-	1,095,741
Fundraising (Note 16)	207,544	-	-	207,544
	<u>9,924,475</u>	<u>-</u>	<u>-</u>	<u>9,924,475</u>
Total Expenses before Depreciation				
Change in Net Assets before Depreciation	2,252,290	-	-	2,252,290
Depreciation Expense (Note 8)	<u>167,583</u>	<u>-</u>	<u>-</u>	<u>167,583</u>
Increase (Decrease) in Net Assets	2,084,707	-	-	2,084,707
Net Assets at Beginning of Year	<u>2,553,297</u>	<u>27,665</u>	<u>-</u>	<u>2,580,962</u>
Net Assets at End of Year	<u>\$ 4,638,004</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ 4,665,669</u>

HOPEWORKS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<i>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
Department of Housing and Urban Development				
Community Development Block Grant	14.218	City of Albuquerque	POFCS-FCS0013762	\$ 636,702
RAP Homeless Prevention	14.231	NM Mortgage Finance Authority	19-02-HPW-RAP-001	64,041
HOME Investment Partnership Program	14.239	City of Albuquerque	POFCS-FCS0012562	186,773
Continuum of Care	14.267	NM Mortgage Finance Authority	19-02-HOP-COC-001	31,387
Continuum of Care	14.267	City of Albuquerque	POFCS-FCS0014007	148,423
Continuum of Care	14.267	Direct Funding	NM0005L6B001811	106,431
Continuum of Care	14.267	Direct Funding	NM0112L6B001802	79,275
<i>Total Department of Housing and Urban Development</i>				<u>1,253,032</u>
Department of Health and Human Services				
Projects for Assistance in the Transition from Homelessness	93.243	NM Human Services Department	BF00	190,000
Opening Doors through Services and Supports for Homeless Individuals with Serious Mental Illness or Co-Occuring Disorder	93.243	NM Human Services Department	OD10	207,572
Temporary Assist for Needy Families	93.558	NM Children, Youth and Families Department	80-690-18-15324	561,481
Medical Assistance Program	93.778	NM Primary Care Association	MEP-19-2030	5,277
Substance Abuse Prevention Treatment	93.959	NM Human Services Department	B800	115,000
Assisted Outpatient Program	93.997	NM Human Services Department	POFCS-FCS0014412	169,576
<i>Total Department of Health and Human Services</i>				<u>1,248,906</u>
Department of Education - Rehabilitation Services Administration				
Vocational Rehabilitation - Project E3	84.264F	Southern University at Baton Rouge	PSC2293	11,891
<i>Total Department of Education - Rehabilitates Services Administration</i>				<u>11,891</u>
<i>Total Expenditures of Federal Awards</i>				<u>\$ 2,513,829</u>

HOPEWORKS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of HopeWorks under programs of the federal government for the year ended June 30, 2020. 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 HopeWorks, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of HopeWorks.

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. HopeWorks has elected not to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Loans Outstanding

HopeWorks had no federal loan balances outstanding on June 30, 2020.

Note 4. Subrecipients

Of the federal expenditures presented in the schedule, HopeWorks provided no federal awards to subrecipients.

**HOPEWORKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued Unmodified

Internal control over financial reporting:

- | | |
|--|------------|
| 1. Material weakness(es) identified? | No |
| 2. Significant deficiency(ies) identified that are not considered to be Material weakness(es)? | None noted |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

Internal control over major programs:

- | | |
|--|------------|
| 1. Material weakness(es) identified? | No |
| 2. Significant deficiency(ies) identified that are not considered to be Material weakness(es)? | None noted |

Type of auditor's report issued on compliance for major programs Unmodified

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS:

No matters were noted

CURRENT YEAR FINDINGS:

No matters were noted

SECTION III – FEDERAL AWARDS FINDINGS

No matters were noted