

HOPE HAVEN ASSOCIATION, INC.

FINANCIAL STATEMENTS

September 30, 2020 and 2019

with

INDEPENDENT AUDITORS' REPORT

HOPE HAVEN ASSOCIATION, INC.

September 30, 2020 and 2019

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Report On Internal Control Over Financial Reporting and on Compliance and Other Matters Based On an Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23



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Board of Directors
Hope Haven Association, Inc.

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Hope Haven Association, Inc. (The "Association") which comprises the statements of financial position as of September 30, 2020 and 2019 and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

Auditors' Responsibility - Continued

error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Newsom & Associates, P.A.

November 20, 2020

HOPE HAVEN ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2020 and 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,160,462	\$ 1,328,419
Client receivables	69,737	73,121
Prepaid expenses	58,649	46,255
Other current assets	<u>1,800</u>	<u>1,800</u>
Total current assets	2,290,648	1,449,595
Land, buildings and equipment, net	<u>3,287,920</u>	<u>3,243,541</u>
	\$ <u>5,578,568</u>	\$ <u>4,693,136</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Accounts payable	\$ 27,660	\$ 15,803
Accrued payroll and payroll taxes	88,591	68,960
Other accrued expenses	100,971	96,045
Current portion of long term debt	<u>331,800</u>	<u>-</u>
Total current liabilities	549,022	180,808
Long term debt	100,000	-
Net assets:		
Without donor restrictions	4,612,775	4,247,980
With donor restrictions	<u>316,771</u>	<u>264,348</u>
Total net assets	<u>4,929,546</u>	<u>4,512,328</u>
	\$ <u>5,578,568</u>	\$ <u>4,693,136</u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended September 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support:			
Hope Haven Foundation Trust contributions	\$ 750,000	\$ -	\$ 750,000
Public contributions	205,582	-	205,582
Grants	1,050,132	401,612	1,451,744
Net assets released from restrictions	<u>349,189</u>	<u>(349,189)</u>	<u>-</u>
Total public support	2,354,903	52,423	2,407,326
Other revenues:			
Program fees	726,253	-	726,253
Children First in Co-Parenting	136,180	-	136,180
Florida Alliance for Assistive Services and Technology	90,000	-	90,000
Interest income	4,297	-	4,297
Other income	<u>105,076</u>	<u>-</u>	<u>105,076</u>
			-
Total other revenue	<u>1,061,806</u>	<u>-</u>	<u>1,061,806</u>
Total revenues	3,416,709	52,423	3,469,132
Expenditures:			
Program expenses	2,389,504	-	2,389,504
Administration	430,791	-	430,791
Fund development	<u>231,619</u>	<u>-</u>	<u>231,619</u>
Total expenditures	<u>3,051,914</u>	<u>-</u>	<u>3,051,914</u>
Changes in net assets	364,795	52,423	417,218
Net assets, beginning	<u>4,247,980</u>	<u>264,348</u>	<u>4,512,328</u>
Net assets, ending	\$ <u><u>4,612,775</u></u>	\$ <u><u>316,771</u></u>	\$ <u><u>4,929,546</u></u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support:			
Hope Haven Foundation Trust contributions	\$ 687,500	\$ 122,500	\$ 810,000
Public contributions	102,285	-	102,285
Grants	829,215	182,000	1,011,215
Net assets released from restrictions	<u>112,561</u>	<u>(112,561)</u>	<u>-</u>
Total public support	<u>1,731,561</u>	<u>191,939</u>	<u>1,923,500</u>
Other revenues:			
Program fees	736,486	-	736,486
Children First in Co-Parenting	150,880	-	150,880
Florida Alliance for Assistive Services and Technology	90,000	-	90,000
Interest income	4,366	-	4,366
Other income	<u>62,766</u>	<u>-</u>	<u>62,766</u>
Total other revenue	<u>1,044,498</u>	<u>-</u>	<u>1,044,498</u>
Total revenues	<u>2,776,059</u>	<u>191,939</u>	<u>2,967,998</u>
Expenditures:			
Program expenses	2,075,021	-	2,075,021
Administration	432,071	-	432,071
Fund development	<u>186,708</u>	<u>-</u>	<u>186,708</u>
Total expenditures	<u>2,693,800</u>	<u>-</u>	<u>2,693,800</u>
Changes in net assets	82,259	191,939	274,198
Net assets, beginning	<u>4,165,721</u>	<u>72,409</u>	<u>4,238,130</u>
Net assets, ending	\$ <u>4,247,980</u>	\$ <u>264,348</u>	\$ <u>4,512,328</u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash provided by (used in) operating activities:		
Fees and services	\$ 1,059,128	\$ 1,033,980
Public contributions	1,657,326	1,207,866
Hope Haven Foundation	750,000	810,000
Program support expenditures	<u>(2,813,399)</u>	<u>(2,579,056)</u>
Net cash provided by operating activities	653,055	472,790
Cash provided by (used in) investing activities-		
Purchased buildings and equipment	<u>(252,812)</u>	<u>(37,913)</u>
Net cash used in investing activities	(252,812)	(37,913)
Cash provided by (used in) financing activities-		
Proceeds on borrowings	<u>431,800</u>	<u>-</u>
Net cash provided by financing activities	431,800	-
Net increase in cash and cash equivalents	832,043	434,877
Beginning cash and cash equivalents	<u>1,328,419</u>	<u>893,542</u>
Ending cash and cash equivalents	\$ <u><u>2,160,462</u></u>	\$ <u><u>1,328,419</u></u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019
(Continued)

ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2020</u>	<u>2019</u>
Changes in net assets	\$ 417,218	\$ 274,198
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	172,698	151,719
Loss on disposition of assets	35,735	4,580
Bad debts	6,062	1,403
(Increase) decrease in assets:		
Client receivables	(2,678)	83,848
Prepaid expenses and other assets	<u>(12,394)</u>	<u>(318)</u>
(Increase) decrease in assets	(15,072)	83,530
(Increase) decrease in liabilities:		
Accounts payable	11,857	(53,393)
Accrued payroll and payroll taxes	19,631	13,048
Other accrued expenses	<u>4,926</u>	<u>(2,295)</u>
Increase (decrease) in liabilities	<u>36,414</u>	<u>(42,640)</u>
Net cash used in operating activities	\$ <u>653,055</u>	\$ <u>472,790</u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2020

<u>Description</u>	<u>Program Costs</u>	<u>Administration</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 1,349,460	\$ 263,460	\$ 165,208	\$ 1,778,128
Benefits and taxes	193,501	39,453	22,514	255,468
Professional services and fees	136,666	37,736	17,501	191,903
Supplies	24,364	805	2,892	28,061
Telecommunications	57,825	11,764	1,934	71,523
Postage	848	194	8,408	9,450
Occupancy	129,869	17,454	2	147,325
Equip purchase, repair and maint	23,310	4,167	84	27,561
Printing	8,414	(69)	2,485	10,830
Travel expenses	35,372	2,388	342	38,102
Staff development	21,205	2,257	8,262	31,724
Financial assistance	160,907	-	-	160,907
Insurance	38,293	7,664	-	45,957
Other expenses	36,084	8,471	1,987	46,542
Depreciation and losses on dispositions	173,386	35,047	-	208,433
	<u>\$ 2,389,504</u>	<u>\$ 430,791</u>	<u>\$ 231,619</u>	<u>\$ 3,051,914</u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2019

<u>Description</u>	<u>Program Costs</u>	<u>Administration</u>	<u>Fund Development</u>	<u>Total</u>
Salaries and wages	\$ 1,158,516	\$ 267,218	\$ 77,460	\$ 1,503,194
Benefits and taxes	161,172	44,230	11,862	217,264
Professional services and fees	154,570	36,463	57,103	248,136
Supplies	30,613	2,058	612	33,283
Telecommunications	39,742	9,125	1,202	50,069
Postage	1,758	420	53	2,231
Occupancy	118,386	18,866	64	137,316
Equip purchase, repair and maint	21,814	3,931	68	25,813
Printing	22,970	2,641	2,506	28,117
Travel expenses	55,900	105	978	56,983
Staff development	9,727	1,041	1,768	12,536
Financial assistance	98,044	-	-	98,044
Insurance	38,153	9,073	-	47,226
Other expenses	37,498	6,758	33,032	77,288
Depreciation	126,158	30,142	-	156,300
	<u>\$ 2,075,021</u>	<u>\$ 432,071</u>	<u>\$ 186,708</u>	<u>\$ 2,693,800</u>

See accompanying notes.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

1. Summary of Significant Accounting Policies

Organization - Hope Haven Association, Inc. (the "Association") was founded in 1926 as a children's hospital until 1981 when the hospital was sold to the Nemours Foundation. The Association continued services to children and their families on an outpatient basis and currently provides a robust suite of educational programs, mental health interventions, and employment services.

Basis of Accounting and Financial Statement Presentation - The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States, which involves the application of accrual accounting, consequently, revenues are recognized when earned, and expenses are recognized when incurred.

The Association presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 958. Under those provisions, the Association reports information regarding its financial position and activities according to two classes of net assets (when applicable), based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Association pursuant to those stipulations, including that the gift be maintained in perpetuity, or that expire by the passage of time.

Assets and liabilities are listed in the balance sheet in order of expected liquidation, however the nature of these items renders accurate liquidation predictions subject to a high level of uncertainty.

Contributions - The Association has adopted Accounting Standard Codification (ASC) 958, "Accounting for Contributions Received and Contributions Made," whereby contributions received are categorized with or without donor-imposed restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

1. Summary of Significant Accounting Policies Accounts Receivable (continued)

The Association grants credit to patients for fees from insurance companies or other third-party payors. Management believes that all receivables are collectible and, as such, no reserve for uncollectible accounts is reflected in these statements. Uncollectible accounts are charged off against operations in the year when management determines that its uncollectible.

Promises to Give – Unconditional promises to give are recognized as revenue in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Association uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the year in which promises were received.

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

Income Tax Status - The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Association's tax positions and concluded that the Association had no uncertain tax positions that require adjustments to the financial statements. The Association is no longer subject to federal income tax examinations for the years before September 30, 2017.

Land, Buildings and Equipment - Land, buildings and equipment are recorded at their purchased cost. Donated items are recorded at their fair market value at the date of the gift.

Depreciation is computed on the straight-line basis over the estimated useful life of the buildings and equipment. The Association uses a \$500 minimum capitalization policy.

Functional Expense Allocation - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and listed in detail in the statement of functional expenses. The allocation is based on an analysis of direct costs, personnel time, and space used.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

2. Land, Buildings and Equipment

At September 30, 2020 and 2019, land, buildings and equipment are summarized as follows:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 135,385	\$ 95,190
Vehicles	120,135	88,500
Artwork	-	35,790
Buildings and improvements	5,034,240	4,963,675
Land	<u>284,199</u>	<u>284,199</u>
	5,573,959	5,467,354
Less accumulated depreciation	<u>2,286,039</u>	<u>2,223,813</u>
	<u><u>\$3,287,920</u></u>	<u><u>\$3,243,541</u></u>

Depreciation expense for the years ending September 30, 2020 and 2019 was \$172,698 and \$151,719, respectively.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

3. Long-term debt

Long-term debt consists of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
PPP Loan Proceeds (See Note 14)	\$331,800	\$ -
VyStar Coronavirus Loan Proceeds (See Note 15)	<u>100,000</u>	<u>-</u>
	431,800	-
Less: maturities to be retired within one year	<u>331,800</u>	<u>-</u>
	<u>\$100,000</u>	<u>\$ -</u>

Annual maturities of notes payable for the 5 years subsequent to September 30, 2020 are as follows:

2021	\$ 331,800
2022	7,240
2023	18,130
2024	19,246
2025	21,689
Thereafter	33,695

Interest expense for the years ended September 30, 2020 and 2019 is \$2,119 and \$0 respectively.

4. Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during 2020 and 2019:

Purpose restrictions accomplished:	<u>2020</u>	<u>2019</u>
Prepaid operational support	\$ 62,500	\$ 62,500
Repairs and upgrades to facility	147,086	37,913
Program enhancements	71,421	-
Other operational goals	<u>68,182</u>	<u>12,148</u>
	<u>\$349,189</u>	<u>\$112,561</u>

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

5. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes or periods at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Programmatic support	\$ 54,442	\$ 77,760
Program enhancements	54,829	-
Repairs to facility	145,000	22,088
Technology updates	-	100,000
Advocacy	-	2,000
Donations for subsequent year	<u>62,500</u>	<u>62,500</u>
	<u>\$316,771</u>	<u>\$264,348</u>

6. Foundation Income

The Hope Haven Foundation (the "Foundation") was created as a perpetual charitable fund by Hope Haven Association, Inc. on February 3, 1932 to receive gifts, bequests and donations dedicated to the operation, expansion and perpetuation of the purpose of the Association. Funds given to the Foundation are classified by the instructions of the donor.

The Association receives distributions equal to 6% of the lesser of (i) the fair market value of the General Trust Fund assets as of June 30 of the preceding year, or (ii) the average fair market value of the General Trust Fund assets for twelve consecutive calendar quarters prior to the beginning of that fiscal year.

A substantial amount of the Association's support is in the form of contributions from the Foundation. For the years ended September 30, 2020 and 2019, approximately 22% and 27% of revenue was derived from Foundation contributions, respectively.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

7. Retirement plan

During the fiscal year end September 30, 2017, the employees of the Association who were full time employees with more than two years of continuous service participated in a defined contribution retirement plan. Under this plan, the Association's contributions were equal to 1% of the annual salary of participating employees. During the fiscal year ended September 30, 2018, the Association switched to an Employee Savings Plan (ESP) whereby the Association will bonus 1% of an eligible employee's base pay in December following the Association's year end. The liabilities are accrued in the Association's financial statements.

During the years ended September 30, 2020 and 2019, the Association's contributions to the plans totaled \$13,631 and \$11,580, respectively.

8. Concentration of credit risk

The Association maintains cash balances in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured cash balances were approximately \$1,659,801 and \$828,419 in 2020 and 2019, respectively.

The Association relies upon the contributions of the Foundation for support (See Note 5). The Foundation's financial ability to commit resources to the Association is directly affected by market conditions.

9. Impairment of long-lived assets

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is realized when the estimated undiscounted cash-flows associated with the asset or group of assets is less than their carrying value. If an impairment exists, an adjustment is made to reduce the carrying value of the asset or group of assets to its fair value. Fair values can be determined by quoted market values, discounted cash flows, internal and external appraisals, or other applicable methods.

Assets held for disposition are carried at the lower of carrying value or estimated net realizable value. The Association has evaluated its assets and does not believe that material impairments exist.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

10. Subsequent events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 20, 2020 the date the financial statements were available to be used. Except as mentioned below, the Association did not discover any event occurring after year-end that warranted such disclosure.

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which could negatively impact the economy in general. The potential financial impact to the Association from this pandemic is unknown at this time.

The Association is in the process of forming a related entity to hold title to the buildings and its related improvements under a leasing arrangement. As of November 20, 2020, title has not changed or assets transferred to the related entity, nor has a leasing arrangement been formalized.

11. Management Evaluation of Going Concern

In preparing these financial statements, there is an underlying assumption that the Association will continue long enough to carry out its objectives and commitments (defined as the going concern assumption).

The Association's management has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern entity with one year after the issued date of these reports.

As of November 20, 2020, this issued date of these reports, management has not identified any conditions or events that raise substantial doubt about the Association's to continue as a going concern entity.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

12. Liquidity of assets

The Financial Accounting Standards Board (FASB) augmented liquidity disclosures for not-for-profit entities (ASC 958). This new standard requires all not-for-profit entities to disclose in the footnotes relevant information about the liquidity of assets.

The Association's working capital and cash flows have variations during the year attributable to seasonal revenues from programs and a concentration of contributions received during their fiscal year end. To manage liquidity, the Association maintains unrestricted reserve cash levels with a bank that is drawn upon as needed during the year to manage cash flow until the receivables from services or cash of contributions is received. Moreover, the Association has a foundation that supports the Association's operations through regular, monthly contributions (See Footnote 5).

As of September 30, 2020, and 2019, the Association has the following assets to manage cash flow needs:

	<u>2020</u>	<u>2019</u>
Unrestricted cash balances	\$1,843,691	\$1,064,071
Client receivables	<u>69,737</u>	<u>73,121</u>
	<u>\$1,913,428</u>	<u>\$1,137,192</u>

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

13. Program Expenses

For the purposes of the Statement of Functional Expenses, below is a detail schedule of the program expenses for the year ending September 30, 2020:

	<u>Clinical</u>	<u>Education</u>	Adult <u>Services</u>	<u>Advocacy</u>	<u>Totals</u>
Salaries and wages	\$316,731	\$ 632,310	\$353,195	\$47,224	\$1,349,460
Benefits and taxes	46,497	89,966	51,532	5,506	193,501
Professional services	30,660	67,926	33,143	4,937	136,666
Supplies	1,560	13,667	8,733	404	24,364
Telecommunications	13,958	26,573	15,029	2,265	57,825
Postage	200	397	222	29	848
Occupancy	20,342	44,435	62,143	2,949	129,869
Repair and maintenance	3,841	8,505	10,433	531	23,310
Printing	1,131	3,511	1,608	2,164	8,414
Travel expenses	3,061	27,826	3,876	609	35,372
Staff development	3,172	11,039	5,706	1,288	21,205
Financial assistance	42,748	113,554	-	4,605	160,907
Insurance	8,926	17,746	10,325	1,296	38,293
Other expenses	8,850	17,570	8,611	1,053	36,084
Depreciation	<u>40,821</u>	<u>81,154</u>	<u>45,485</u>	<u>5,926</u>	<u>173,386</u>
Totals	<u>\$542,498</u>	<u>\$1,156,179</u>	<u>\$610,041</u>	<u>\$80,786</u>	<u>\$2,389,504</u>

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

13. Program Expenses (continued)

For the purposes of the Statement of Functional Expenses, below is a detail schedule of the program expenses for the year ending September 30, 2019:

	<u>Clinical</u>	<u>Education</u>	Adult <u>Services</u>	<u>Advocacy</u>	<u>Totals</u>
Salaries and wages	\$260,912	\$495,995	\$301,964	\$ 99,645	\$1,158,516
Benefits and taxes	38,364	66,520	45,747	10,541	161,172
Professional services	62,737	52,511	29,435	9,887	154,570
Supplies	2,311	14,402	13,023	877	30,613
Telecommunications	9,309	16,259	10,819	3,355	39,742
Postage	437	729	449	143	1,758
Occupancy	19,647	32,714	59,587	6,438	118,386
Repair and maintenance	3,229	7,275	10,346	964	21,814
Printing	4,404	10,235	4,933	3,398	22,970
Travel expenses	492	45,048	8,674	1,686	55,900
Staff development	1,882	4,684	2,458	703	9,727
Financial assistance	32,448	65,161	-	435	98,044
Insurance	9,450	15,734	9,873	3,096	38,153
Other expenses	12,651	12,248	9,982	2,617	37,498
Depreciation	<u>31,391</u>	<u>52,268</u>	<u>32,213</u>	<u>10,286</u>	<u>126,158</u>
Totals	<u>\$489,664</u>	<u>\$891,783</u>	<u>\$539,503</u>	<u>\$154,071</u>	<u>\$2,075,021</u>

14. Paycheck Protection Program Loan

In April 2020, the Association received the Paycheck Protection Program (PPP) Loan funds from the SBA in an amount of \$331,800. This amount is shown as a liability on the statement of financial position at September 30, 2020. Pursuant and subject to the PPP rules, this loan is convertible to grant that does not need to be repaid. The Association anticipates that the entire loan will be forgiven at the end of the coverage period (estimated to be in October 2020).

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

14. Paycheck Protection Program Loan (continued)

The Association will recognize gain on the forgiven portion of the loan upon receiving notification from the SBA of such forgiveness. Until then, the Association will present the PPP Loan as a liability on its statement of financial position. Any unforgiven portion of the PPP loan will be repaid per the terms of the PPP loan program.

15. Vystar COVID-19 Loan

In April 2020, the Association participated in the COVID-19 Small Business Relief and Employee Retention Grant Program Management Agreement (the "Agreement"). The purpose of the Agreement is to provide low cost, fixed interest rate loans to eligible small business located in Duval County, Florida. The Association qualified for a \$100,000 loan at 5.99% interest for six years. The first year of repayment will be interest only payments, then both interest and principal for the remaining five years.

According to the Agreement's Joinder and Consent document, a grant equal to the interest owed for year one of the loan will be payable to the Association on a monthly basis.

Provided that the Association can retain 50% of its February 29, 2020 employment levels, a grant will be awarded to the Association payable on a monthly basis equal to the interest owed in years 2 through 6.

Provided that the Association can retain 100% of its February 29, 2020 employment levels, a grant will be awarded to the Association on an annual basis equal to 10% of the principal amount then outstanding on the loan, capped at a maximum of 50% of the original principal amount for the full term of the loan.

The Association is treating this Agreement as a debt until such time the forementioned grants are awarded.

HOPE HAVEN ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020
(Continued)

16. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09 Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Topic 606 was slated for implementation on annual periods beginning December 15, 2018 (fiscal year end September 30, 2020). In June 2020, FASB issued ASU No. 2020-05, which deferred the adoption date of Topic 606 pronouncement. The Association has elected defer the adoption of Topic 606 from annual periods beginning after December 15, 2018 (fiscal year ending September 30, 2020) to annual periods beginning after December 15, 2019 (fiscal year ending September 30, 2021).

The Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-02 Leases (Topic 842). The effective date of this pronouncement for non-public companies has been deferred to annual reporting periods beginning after December 15, 2021, per ASU 2020-05 issued in June 2020. As such, the Association has not adopted ASU No. 2016-02 for these statements. Management is reviewing the Association’s leases to determine the effect, if any, this pronouncement will have on the Association’s statements



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Board of Directors
Hope Haven Association, Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hope Haven Association, Inc., which comprise the statement of financial position as of September 30, 2020 and 2019, and the related statements of activities, changes in net assets, and cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hope Haven Association'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 Hope Haven Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Hope Haven Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Haven Association, Inc.'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 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.

Newsom & Associates, P.A.

November 20, 2020