

Hopeworks and Controlled Affiliate

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

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**HOPEWORKS AND CONTROLLED AFFILIATE
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
HopeWorks and Controlled Affiliate
Albuquerque, New Mexico

We have audited the accompanying consolidated financial statements of HopeWorks (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 consolidated 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 auditors' 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HopeWorks as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements (and comparative amounts where applicable)

The consolidated financial statements of HopeWorks as of and for the year ended June 30, 2020, were audited by other auditors whose report dated January 19, 2021, expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise HopeWorks's basic financial statements. The consolidating financial statements and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) are presented for the purposes of additional analysis and are not a required part of the basic financial statements

The consolidating financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic 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 March 7, 2022 on our consideration of the HopeWorks's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

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Cordova CPAs LLC
Albuquerque, New Mexico
March 7, 2022

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HOPEWORKS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

Assets	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 2,646,510	\$ 2,392,570
Investments	1,837,283	1,690,947
Pledges receivables	110,000	63,616
Grant receivables	771,608	584,113
Program receivables	-	14,495
Prepaid expenses and deposits	52,468	7,600
Total current assets	<u>5,417,869</u>	<u>4,753,341</u>
Non-current and other assets		
Property and equipment, net	<u>3,379,204</u>	<u>3,419,684</u>
Total assets	<u><u>\$ 8,797,073</u></u>	<u><u>\$ 8,173,025</u></u>
 Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 69,575	\$ 76,565
Accrued wages and benefits	337,457	312,412
Payroll tax liabilities	88,812	78,369
Current portion of notes payable	32,344	31,033
Total current liabilities	<u>528,188</u>	<u>498,379</u>
Noncurrent liabilities		
Notes payable- net of current portion	407,222	439,564
Note payable- single site	1,466,701	1,466,701
Paycheck protection program loan	-	1,102,712
Total liabilities	<u>2,402,111</u>	<u>3,507,356</u>
Net assets		
Without donor restrictions	4,551,042	2,806,652
With donor restrictions	<u>1,843,920</u>	<u>1,859,017</u>
Total net assets	<u>6,394,962</u>	<u>4,665,669</u>
Total liabilities and net assets	<u><u>\$ 8,797,073</u></u>	<u><u>\$ 8,173,025</u></u>

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

**HOPEWORKS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021 (WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	<u>Without Donor Restrictions</u>
Revenues and other support	
Grants	\$ 5,990,127
Medicaid fees	2,861,421
Contributions and support	1,120,930
In-kind income	517,333
Program income and charges	50,809
United Way allocations	-
Administrative income	123,462
Paycheck protection program support forgiven	1,102,712
Event income	500
Investment income (loss)	157,848
Net assets released from restrictions	
Restrictions satisfied by program payments and the passage of time	<u>129,659</u>
 Total revenues and other support	 <u>12,054,801</u>
 Expenses	
Program services	8,716,483
Management and general	1,361,093
Fundraising	<u>232,835</u>
 Total expenses	 <u>10,310,411</u>
 Increase (decrease) in net assets	 1,744,390
 Net assets at beginning of year	 <u>2,806,652</u>
 Net assets at end of year	 <u><u>\$ 4,551,042</u></u>

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

With Donor Restrictions	2021 Total	2020 Total
\$ -	\$ 5,990,127	\$ 5,343,818
-	2,861,421	2,448,861
-	1,120,930	3,587,416
-	517,333	504,087
-	50,809	178,872
110,000	110,000	63,616
-	123,462	73,630
-	1,102,712	-
-	500	10,290
4,562	162,410	(33,825)
<u>(129,659)</u>	<u>-</u>	<u>-</u>
<u>(15,097)</u>	<u>12,039,704</u>	<u>12,176,765</u>
-	8,716,483	8,723,888
-	1,361,093	1,160,626
-	232,835	207,544
<u>-</u>	<u>10,310,411</u>	<u>10,092,058</u>
(15,097)	1,729,293	2,084,707
<u>1,859,017</u>	<u>4,665,669</u>	<u>2,580,962</u>
<u>\$ 1,843,920</u>	<u>\$ 6,394,962</u>	<u>\$ 4,665,669</u>

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

HOPEWORKS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (PAGE 1)
FOR THE YEAR ENDED JUNE 30, 2021 (WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	PROGRAM SERVICES		
	BEHAVIORAL HEALTH	HOUSING	EMPLOYMENT
Salaries and wages	\$ 3,357,657	\$ 356,141	\$ 113,435
Payroll taxes	275,063	29,505	9,888
Benefits	327,738	30,266	8,695
Assistance to beneficiaries	187,375	1,523,608	2,400
Professional services	373,525	3,230	-
Rents and leases	126,305	12,091	-
Insurance	34,687	-	-
Office and operating supplies	66,509	8,675	958
Communications	65,708	5,876	575
Utilities	47,798	1,270	-
Recruiting	28,864	2,430	-
Travel and transportation	46,619	6,014	-
Repairs and maintenance	12,814	291	1,752
Conferences and meetings	28,907	4,506	-
Postage and printing	2,443	862	10
Miscellaneous	-	385	-
Interest expense	5,611	-	-
Equipment non-capital	22,115	11,978	-
Loss on disposal of assets	2,833	-	-
Expenses before depreciation	<u>5,012,571</u>	<u>1,997,128</u>	<u>137,713</u>
Depreciation expense	<u>47,577</u>	<u>9,500</u>	<u>-</u>
Total expenses	<u>\$ 5,060,148</u>	<u>\$ 2,006,628</u>	<u>\$ 137,713</u>

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

PROGRAM SERVICES

<u>HOPE FOUND</u>	<u>SHELTER</u>	<u>TOTAL</u>
\$ 228,712	\$ 331,640	\$ 4,387,585
18,886	28,987	362,329
29,181	30,497	426,377
156,604	494,738	2,364,725
(44,763)	63,267	395,259
4,849	999	144,244
1,740	7,750	44,177
534	3,003	79,679
9,186	4,570	85,915
3,188	21,804	74,060
186	4,756	36,236
3,720	2,651	59,004
-	20,904	35,761
2,416	2,396	38,225
39	55	3,409
6,259	-	6,644
8,724	-	14,335
-	5,463	39,556
-	-	2,833
429,461	1,023,480	8,600,353
6,747	52,306	116,130
\$ 436,208	\$ 1,075,786	\$ 8,716,483

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

HOPEWORKS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (PAGE 2)
FOR THE YEAR ENDED JUNE 30, 2021 (WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	SUPPORTING SERVICES		
	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING
Salaries and wages	\$ 4,387,585	\$ 852,373	\$ 165,890
Payroll taxes	362,329	39,450	13,186
Benefits	426,377	62,064	10,686
Assistance to beneficiaries	2,364,725	30,852	-
Professional services	395,259	166,653	6,507
Rents and leases	144,244	4,456	-
Insurance	44,177	57,286	-
Office and operating supplies	79,679	12,375	1,436
Communications	85,915	7,731	500
Utilities	74,060	7,441	-
Recruiting	36,236	7,252	3,507
Travel and transportation	59,004	183	-
Repairs and maintenance	35,761	10,487	-
Conferences and meetings	38,225	16,121	-
Postage and printing	3,409	1,776	20,389
Miscellaneous	6,644	10,228	5,222
Interest expense	14,335	4,717	-
Equipment non-capital	39,556	3,158	736
Dues and subscriptions	-	-	4,709
Community and employee relations	-	1,029	67
Fundraising	-	-	-
Loss on disposal of assets	2,833	-	-
Expenses before depreciation	<u>8,600,353</u>	<u>1,295,632</u>	<u>232,835</u>
Depreciation expense	<u>116,130</u>	<u>65,461</u>	<u>-</u>
Total expenses	<u>\$ 8,716,483</u>	<u>\$ 1,361,093</u>	<u>\$ 232,835</u>

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

TOTAL SUPPORTING SERVICES	2021 TOTAL EXPENSES	2020 TOTAL EXPENSES
\$ 1,018,263	\$ 5,405,848	\$ 5,044,139
52,636	414,965	403,758
72,750	499,127	468,351
30,852	2,395,577	2,581,864
173,160	568,419	563,159
4,456	148,700	159,230
57,286	101,463	111,201
13,811	93,490	106,831
8,231	94,146	82,236
7,441	81,501	77,863
10,759	46,995	65,426
183	59,187	63,711
10,487	46,248	39,762
16,121	54,346	29,769
22,165	25,574	28,955
15,450	22,094	22,918
4,717	19,052	20,362
3,894	43,450	17,005
4,709	4,709	9,304
1,096	1,096	7,202
-	-	1,120
-	2,833	20,309
<u>1,528,467</u>	<u>10,128,820</u>	<u>9,924,475</u>
<u>65,461</u>	<u>181,591</u>	<u>167,583</u>
<u>\$ 1,593,928</u>	<u>\$ 10,310,411</u>	<u>\$ 10,092,058</u>

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

HOPEWORKS
CONSOLIDATED STATEMENTS OF CASHFLOWS
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from grantors	\$ 5,802,632	\$ 5,406,290
Cash received from Medicaid fees	2,861,421	2,650,331
Cash received from program fees	65,304	181,744
Cash received from contributions and other support	1,308,508	3,781,336
Cash received from interest	61,458	38,684
Cash paid to and on behalf of employees	(6,284,452)	(5,936,662)
Cash paid for assistance to beneficiaries	(1,878,244)	(1,573,690)
Cash paid for operating expenses	(1,443,276)	(2,002,918)
Cash paid for interest	(19,052)	(20,362)
Net cash provided by operating expenses	<u>474,299</u>	<u>2,524,753</u>
Cash flows from investing activities		
Purchase of RBC investment	-	(2,982,509)
Proceeds of RBC investment	-	1,378,308
Cash paid for investment in property and equipment	(143,944)	(443,869)
Fees paid from endowment	-	4,748
Dividends and interest reinvested	(45,384)	(5,038)
Net cash (used) by investing activities	<u>(189,328)</u>	<u>(2,048,360)</u>
Cash flows from financing activities		
Principal payments on debt	(31,031)	(29,723)
Proceeds from construction forgivable loan	-	342,790
Proceeds from Paycheck Protection Program	-	1,102,712
Net cash provided (used) by financing activities	<u>(31,031)</u>	<u>1,415,779</u>
Net increase in cash and cash equivalents	253,940	1,892,172
Cash and cash equivalents at beginning of year	<u>2,392,570</u>	<u>500,398</u>
Cash and cash equivalents at end of year	<u>\$ 2,646,510</u>	<u>\$ 2,392,570</u>
SIGNIFICANT NON CASH ACTIVITIES		
In-kind donation of materials	<u>\$ 517,333</u>	<u>\$ 504,087</u>
Paycheck protection program support forgiven	<u>\$ 1,102,712</u>	<u>\$ -</u>

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

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1. Organization and Significant Accounting Policies

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:

Day Shelter Services

The Day Shelter provides basic needs (nutritious meals, showers, clothing, hygiene items, etc.) and connections to support services (behavioral health, case management, and housing) utilizing evidence-based best practices including harm reduction, motivational interviewing, trauma-informed care, and a client-centered approach.

Outreach

HopeWorks reaches individuals living on the streets, in tunnels, and alleyways to build trust and encourage them to utilize 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.

Case Management Services

Case management services are provided for clients that are homeless, at risk of becoming homeless, and clients that are housed. Case management services include assisting in housing searches, resolving tenant/landlord issues, and linking client to and/or coordinating resources in the community (food, furniture, medical, psychiatric services, medication monitoring, vocational, therapeutic, and economic). The overall goal of case management is to assist our clients in finding and/or maintaining safe and suitable housing.

Housing

HopeWorks operates numerous housing programs, some of which include the following: The Continuum of Care Rental Assistance and Almost Home programs provide permanent supportive housing. Continuum of Care Transitional Housing program is designed to support clients while they get stabilized in employment, school, and eventually permanent 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.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1. Organization and Significant Accounting Policies (continued)

Function of Entity (continued)

Parent Organization (continued)

Housing

Hope Found is a program designed to assist families with children currently living in a shelter or place not meant for human habitation, providing housing first, coupled with case management to facilitate permanent housing solutions for participating families. Hope Village provides permanent supportive single site housing and intensive supportive wrap around services for persons without housing whose behavioral health challenges necessitate intensive services and support for housing stability. Participants in all housing programs may pay a portion of their rent based on their income.

Employment

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

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.

The more significant accounting policies and procedures of the Organization are more fully described below.

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

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1. Organization and Significant Accounting Policies (continued)

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.

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, 2021, HopeWorks did not own any cash equivalents. Cash includes amounts held in checking accounts at local banking institutions.

Grants Receivable. Grants receivable 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.

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.

Promises to Give. Contributions received, including unconditional promises to give (pledges), are recognized at fair value as revenues in the period received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Pledges that are expected to be received within one year are recorded at their estimated net realizable value. Pledges that are expected to be received in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free discount rates applicable when the promises are received. Amortization of the discounts is included in contribution revenue however, as of June 30, 2021, all amounts are expected to be collected within one year. Management has not provided an allowance for doubtful unconditional promises, as it is management's estimate that all amounts are fully collectible. Management evaluates the value of pledges receivable on an annual basis to identify any circumstances where the Organization may receive less than what they have recorded.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1. Organization and Significant Accounting Policies (continued)

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.

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.

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.

Cash. The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents for the purposes of cash flows. The Organization has reclassified prior year amounts that meet this criterion on the statement of cash flows.

Investments. Investments in marketable securities are carried at fair value; investments in closely held businesses are carried at their estimated net realizable value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ from the amounts reported in these financial statements.

Concentrations of Credit Risk. The Organization maintains deposit and investment accounts with various financial institutions. Depository accounts with financial institutions are insured by the Federal Deposit Insurance Corporation. Balances in these accounts may, at times, exceed federally or commercially insured limits. The Organization has not experienced any losses on such accounts, and management believes it is not exposed to significant credit risk from these accounts.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1. Organization and Significant Accounting Policies (continued)

Property and Equipment and Donations. Acquisitions of property and equipment in excess of \$2,500 are capitalized. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted contributions. Depreciation is computed on a straight-line basis over the useful lives of the assets which ranges from 5 to 39 years. Depreciation expense for the year ended June 30, 2021 and 2020 was \$181,591 and \$167,583.

Income Taxes. The Organization is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Sec. 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2018, 2019 and 2020 tax years are open and subject to examination. The Organization believes that all activities and transactions are within their tax-exempt purpose, and that there are no uncertain tax positions.

Estimates. Preparation of financial statements in conformity with generally accepted accounting principles requires estimating some of the amounts reported. Actual results could differ from the estimates. Significant estimates in the Organization's financial statements include depreciation on property and equipment and the allocation of functional expenses.

Newly Adopted Accounting Pronouncements. Revenue from Contracts with Customers - The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis and there was no material impact to these financial statements.

Contributions Received and Contributions Made. The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard and there was no material impact to these financial statements.

Subsequent Events. HopeWorks has evaluated events subsequent to June 30, 2021 that would possibly require adjustment or disclosure in these financial statements, through March 7, 2022, the date that these statements were available to be issued.

New Hope Housing was established in 2012 to collect donations from donors in support of a single site, permanent supportive housing structure. Hope Village LLC was established as a sole member LLC to manage all of the financial transactions related to Hope Village. New Hope Housing remains intact because some of our original loans, like the National Housing Trust Loans, list New Hope Housing instead of Hope Village. After year end, Hope Village LLC has as its sole member YES Housing. Once HopeWorks receives the Certificate of Occupancy, HopeWorks will be the sole member of Hope Village LLC. At that point, we will merge New Hope Housing and Hope Village.

Reclassifications. Certain reclassifications have been made to the 2020 financial statement presentation to conform to the 2021 presentation.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2. Investments

HopeWorks carries investments with readily determinable fair values. Fair values as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Investments:		
Fixed income	\$ 1,432,552	\$ 182,262
Money Market	200,317	-
Equities	-	1,350,539
Endowment - Pooled	204,414	158,146
Total investments	<u>\$ 1,837,283</u>	<u>\$ 1,690,947</u>
Investment return is summarized as follows:		
Interest income	\$ 61,758	\$ 29,632
Realized gain (loss)	-	(14,488)
Unrealized gain	100,652	(45,849)
Investment fees	-	(3,120)
Total investment return	<u>\$ 162,410</u>	<u>\$ (33,825)</u>

NOTE 3. Fair Value Measurements of Investments

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.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 3. Fair Value Measurements of Investments

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, 2021. 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, 2021 and 2020:

	2021			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	\$ 1,432,552	\$ 1,432,552	\$ -	\$ -
Money Market Fund	200,317	200,317	-	-
Endowment - Pooled	<u>204,414</u>	<u>-</u>	<u>204,414</u>	<u>-</u>
Total assets	<u>\$ 1,837,283</u>	<u>\$ 1,632,869</u>	<u>\$ 204,414</u>	<u>\$ -</u>
	2020			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	\$ 182,262	\$ 182,262	\$ -	\$ -
Equities	1,350,539	1,350,539	-	-
Endowment - Pooled	<u>158,146</u>	<u>-</u>	<u>158,146</u>	<u>-</u>
Total assets	<u>\$ 1,690,947</u>	<u>\$ 1,532,801</u>	<u>\$ 158,146</u>	<u>\$ -</u>

Following is a description of the valuation methodologies used for investments measured at fair value. There were no changes to these valuation methodologies in 2021.

Equities, fixed income, and endowment pooled assets: Assets held are valued using the closing price reported in the active market on which the individual securities are traded. These have been classified within level 1 of the valuation hierarchy. If quoted prices are not available for a specific security, then the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, discounted cash flows and other observable inputs. Such securities would be classified within the level 2 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4. Unconditional Promises to Give

The Organization has outstanding promises to give as of June 30, 2021 and 2020 from the United Way totaling \$110,000 and \$63,116 which are all expected to be collected and have time restrictions that the resources must be used after a specified date.

NOTE 5. Receivables

Receivables represent the following amounts due to HopeWorks on June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
City of Albuquerque	\$ 370,427	\$ 367,910
State of New Mexico	252,376	183,922
U.S. Department of Housing and Urban Development	13,919	17,499
Provider fees	134,886	14,495
Other receivables	-	14,782
	<u> </u>	<u> </u>
Total receivables	<u>\$ 771,608</u>	<u>\$ 598,608</u>

NOTE 6. Property and Equipment

A summary of property and equipment and changes occurring during the year ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 2,053,467	\$ 2,053,467
Capital improvements	1,042,116	1,025,996
Automobiles	315,991	261,127
Furniture & equipment	182,680	185,175
Land	166,379	166,379
Land- single site	1,045,924	1,045,924
Computer equipment & software	163,869	163,869
Construction in progress	488,738	418,282
	<u> </u>	<u> </u>
Total property and equipment	5,459,164	5,320,219
Less accumulated depreciation	<u>2,079,960</u>	<u>1,900,535</u>
	<u> </u>	<u> </u>
Net property and equipment	<u>\$ 3,379,204</u>	<u>\$ 3,419,684</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7. Notes Payable

HopeWorks entered into three loan agreements with the New Mexico Bank & Trust. The notes payable were as follows:

	Balance			Balance	Due Within
	June 30, 2020	Additions	Retirements	June 30, 2021	One Year
Dismas Loan	\$ 36,615	\$ -	\$ 10,391	\$ 26,224	\$ 10,822
Yale Loan	105,518	-	5,018	100,500	5,232
Hope Center Loan	328,465	-	15,623	312,842	16,290
Total	<u>\$ 470,598</u>	<u>\$ -</u>	<u>\$ 31,032</u>	<u>\$ 439,566</u>	<u>\$ 32,344</u>

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.00%. The Dismas note is payable in monthly installments of \$974, including interest and principal, and is collateralized by real estate. The annual requirements to amortize the note payable as of June 30, 2021, including interest payments, are as follows:

Fiscal Year			
Ending June	Principal	Interest	Total
30,			
2022	\$ 10,822	\$ 75,812	\$ 86,634
2023	11,268	72,165	83,433
2024	<u>4,134</u>	<u>68,358</u>	<u>72,492</u>
Total	<u>\$ 26,224</u>	<u>\$ 216,335</u>	<u>\$ 242,559</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7. Notes Payable

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. The Yale note is payable in monthly installments of \$778, including interest and principal, and is collateralized by real estate. The annual requirements to amortize the note payable as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 5,232	\$ 865	\$ 6,097
2023	5,455	415	5,870
2024	5,678	27	5,705
2025	5,930	-	5,930
2026	6,182	-	6,182
2027	<u>72,023</u>	<u>-</u>	<u>72,023</u>
Total	<u>\$ 100,500</u>	<u>\$ 1,307</u>	<u>\$ 101,807</u>

HopeWorks has an obligation to New Mexico Bank & Trust bearing an interest rate of 4.26%. The Hope Center note is payable in monthly installments of \$2,422, including interest and principal, and is collateralized by real estate. The annual requirements to amortize the note payable as of June 30, 2021, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 16,290	\$ 4,459	\$ 20,749
2023	16,983	3,881	20,864
2024	17,677	3,658	21,335
2025	18,461	3,405	21,866
2026	19,248	3,154	22,402
2027	<u>224,183</u>	<u>-</u>	<u>224,183</u>
Total	<u>\$ 312,842</u>	<u>\$ 18,557</u>	<u>\$ 331,399</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8. Endowment Funds

Net Asset Classifications

In 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Accordingly, in 2009 the Foundation adopted U.S. generally accepted accounting principles as they relate to net asset classification of funds subject to an enacted version of UPMIFA. The Board of Trustees has determined that the majority of the Foundation's net assets meet the definition of endowment funds under UPMIFA.

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 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

Endowment Investment and Spending Policies

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, 2021 and 2020, no earnings from the endowment fund were used in operations.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8. Endowment Funds (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2021:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ 81,635	\$ -	\$ 81,635
Donor (Dismas) restricted funds	-	19,367	19,367
Board designated funds	-	103,412	103,412
Total endowment funds	<u>\$ 81,635</u>	<u>\$ 122,779</u>	<u>\$ 204,414</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 44,709	\$ 113,437	\$ 158,146
Contributions received	-	-	-
Investment income (loss)	43,379	4,562	47,941
Appropriation of endowed net assets	(1,409)	(264)	(1,673)
Reclassifications	(5,044)	5,044	-
Total endowment funds	<u>\$ 81,635</u>	<u>\$ 122,779</u>	<u>\$ 204,414</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 8. Endowment Funds (continued)

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

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ 44,709	\$ -	\$ 44,709
Donor restricted funds	-	10,025	10,025
Board designated funds	-	103,412	103,412
Total endowment funds	<u>\$ 44,709</u>	<u>\$ 113,437</u>	<u>\$ 158,146</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 44,419	\$ 113,437	\$ 157,856
Contributions received	1,919	-	1,919
Investment income (loss)	-	-	-
Appropriation of endowed net assets	(1,629)	-	(1,629)
Distributions	-	-	-
Total endowment funds	<u>\$ 44,709</u>	<u>\$ 113,437</u>	<u>\$ 158,146</u>

NOTE 9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year for general purposes include amounts received in prior years for the United Way, Bezos Foundation and other Endowed funds with the Albuquerque Community Foundation.

	<u>2021</u>	<u>2020</u>
Financial assets at year end	\$ 4,483,793	\$ 4,083,517
Less those unavailable for general expenditures within one year, due to:		
Donor restricted net assets	<u>(1,843,920)</u>	<u>(1,859,017)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,639,873</u>	<u>\$ 2,224,500</u>

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9. Liquidity and Availability of Financial Assets (continued)

As part of the Organization's liquidity management, it retains cash in deposit accounts at financial institutions with a strong financial position and reputation.

NOTE 10. Net Assets

According to FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Time restriction:		
United Way	\$ 110,000	\$ 63,616
Purpose restriction:		
Bezos Foundation	1,599,291	1,670,114
Subject to HopeWorks Spending Policy and Appropriation:		
Endowments	122,779	113,437
Alotta Foundation	11,850	11,850
Total subject to Spending Policy and Appropriations	<u>134,629</u>	<u>125,287</u>
Total Net Assets with donor restriction	<u>\$ 1,843,920</u>	<u>\$ 1,859,017</u>

NOTE 11. Paycheck Protection Program

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.

In October 2021, the loan was 100% forgiven by the SBA and recognized as income during fiscal year ended June 30, 2021.

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 12. Concentrations

The Organization received a significant percentage of its revenue and support from contracts with the City of Albuquerque and the State of New Mexico. For the years ended June 30, 2021 and 2020, these streams of revenues were 73.5% and 64%, respectively, of the Organization's total operating revenue. In addition, 80.7% and 92.2% of the receivables as of June 30, 2021 and 2020 are from the City of Albuquerque and the State of New Mexico.

Note 13. In-Kind Donations

HopeWorks received in-kind contributions of materials with a market value of \$517,333 and \$504,087 for the years ended June 30, 2021 and 2020, respectively. In addition, HopeWorks received over 10,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

Note 14. 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, 2021 and 2020 totaled \$21,076 and \$13,811, respectively

NOTE 15. Commitments and Contingencies

The Organization has entered into a monthly lease agreements and the expected lease payments are as follows:

HopeWorks has entered into a sub lease agreement with Supportive Housing Coalition of New Mexico for office space. Cost per year is \$36,000. Monthly base rent will be \$3,000 and shall be paid in advance on the first day of each month. Lease is effective August 1, 2020 and will expire July 31, 2021 in which parties will visit month to month lease options before or at expiration date. Future payments are shown below:

Fiscal Year
<u>Ending June 30,</u>
2022 \$3,000

HopeWorks has entered into an rental agreement with T&C Management for unit rentals which include eight-one bedrooms, six-two bedrooms and four units free of charge. Monthly base rent will be \$8,700 and shall be paid in advance on the first day of each month. Lease is effective August 22, 2016 and will expire August 31, 2022. Termination of this agreement shall be with written notice which includes a termination fee of \$8,700.

Future payments are shown below:

**HOPEWORKS AND CONTROLLED AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 15. Commitments and Contingencies (continued)

Fiscal Year Ending June 30,
2022 \$104,400
2023 \$17,400

HopeWorks has entered into a rental agreement with New Mexico Real Estate Now, LLC for unit rentals. Monthly base rent will be \$3,806.25 and shall be paid in advance on the first day of each month. The lease is effective October 1, 2020 and will expire September 30, 2021. Termination of this agreement shall be with written notice no less than 30 days prior to end of the term. Future payments are shown below:

Fiscal Year Ending June 30,
2022 \$11,719

Management has represented there is no litigation pending which could have a material impact on the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Such audits could result in claims against HopeWorks for disallowed costs or noncompliance with grantor restrictions. If significant contracts are terminated, it could potentially have a significant impact on the Organization and have a detrimental effect on its ability to meet its ongoing obligations. The Organization is currently in negotiations with the City of Albuquerque regarding compliance over its contracts and the outcome of these may require payments back to the City of Albuquerque. It is uncertain whether this will occur and any amounts are not estimable as of the date of these financial statements.

NOTE 16. Subsequent Accounting Pronouncements

In November 2020, the Board issued Accounting Standards Update No. 2020-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The amendments in Update 2020-10 deferred the effective dates for Leases for entities in the “all other” category by an additional year. Therefore, Leases was effective for all other entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

In November 2021, the Board issued Accounting Standards Update No. 2021-10, Government Assistance (Topic 832). The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted.

As of the date of these financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

SUPPLEMENTARY INFORMATION

**HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

Assets	<u>HopeWorks</u>	<u>New Hope Housing LLC</u>
Current assets		
Cash and cash equivalents	\$ 2,618,845	\$ 27,665
Investments	1,837,283	-
Pledges receivables	110,000	-
Grant receivables	771,608	-
Prepaid expenses	9,909	-
Deposits	42,559	-
Total current assets	<u>5,390,204</u>	<u>27,665</u>
Non-current and other assets		
Property and equipment, net	<u>1,912,503</u>	<u>1,466,701</u>
Total assets	<u><u>\$ 7,302,707</u></u>	<u><u>\$ 1,494,366</u></u>
 Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 69,575	\$ -
Accrued wages and benefits	337,457	-
Payroll tax liabilities	88,812	-
Current portion of notes payable	32,344	-
Total current liabilities	<u>528,188</u>	<u>-</u>
Noncurrent liabilities		
Notes payable- net of current portion	407,222	-
Note payable- single site	-	1,466,701
Total liabilities	<u>935,410</u>	<u>1,466,701</u>
Net assets		
Without donor restrictions	4,523,377	27,665
With donor restrictions	1,843,920	-
Total net assets	<u>6,367,297</u>	<u>27,665</u>
Total liabilities and net assets	<u><u>\$ 7,302,707</u></u>	<u><u>\$ 1,494,366</u></u>

See accompanying independent auditors' report.

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 2,646,510
-	1,837,283
-	110,000
-	771,608
-	9,909
-	42,559
-	<u>5,417,869</u>
-	<u>3,379,204</u>
<u>\$ -</u>	<u>\$ 8,797,073</u>
\$ -	\$ 69,575
-	337,457
-	88,812
-	32,344
-	<u>528,188</u>
-	407,222
-	1,466,701
-	<u>2,402,111</u>
-	4,551,042
-	1,843,920
-	<u>6,394,962</u>
<u>\$ -</u>	<u>\$ 8,797,073</u>

See accompanying independent auditors' report.

**HOPEWORKS AND CONTROLLED AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>
Revenues and other support		
Grants	\$ 5,990,127	\$ -
Medicaid fees	2,861,421	-
Contributions and support	1,120,930	-
In-kind income	517,333	-
Program income and charges	50,809	-
United Way allocations	110,000	-
Administrative income	123,462	-
Payroll protection program support forgiven	1,102,712	-
Event income	500	-
Investment income	162,410	-
	<u>12,039,704</u>	<u>-</u>
Expenses		
Program services	8,716,483	-
Management and general	1,361,093	-
Fundraising	232,835	-
	<u>10,310,411</u>	<u>-</u>
Increase (decrease) in net assets	1,729,293	-
Net assets at beginning of year	<u>4,638,004</u>	<u>27,665</u>
Net assets at end of year	<u>\$ 6,367,297</u>	<u>\$ 27,665</u>

See accompanying independent auditors' report.

<u>Eliminations</u>	<u>Totals</u>
\$ -	\$ 5,990,127
-	2,861,421
-	1,120,930
-	517,333
-	50,809
-	110,000
-	123,462
-	1,102,712
-	500
-	162,410
<hr/>	<hr/>
-	12,039,704
<hr/>	<hr/>
-	8,716,483
-	1,361,093
-	232,835
<hr/>	<hr/>
-	10,310,411
<hr/>	<hr/>
-	1,729,293
<hr/>	<hr/>
-	4,665,669
<hr/>	<hr/>
<u>\$ -</u>	<u>\$ 6,394,962</u>

See accompanying independent auditors' report.

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COMPLIANCE SECTION

**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***

INDEPENDENT AUDITORS' REPORT

Board of Directors
HopeWorks and Controlled Affiliate
Albuquerque, New Mexico

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, 2021, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 7, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HopeWorks consolidated financial statements are free of 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*.

HopeWorks's Response to Findings

HopeWorks's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. HopeWorks's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of HopeWorks internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HopeWorks internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, NM
March 7, 2022

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FEDERAL FINANCIAL ASSISTANCE

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

INDEPENDENT AUDITORS' REPORT

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

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, 2021. HopeWorks' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 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, 2021.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cordova CPAs LLC
Albuquerque, NM
March 7, 2022

HOPEWORKS
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Number	Assistance Listing Number	Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
Department of Housing and Urban Development					
<i>Passed through City of Albuquerque</i>					
CDBG	POFCS-FDCS0013762	14.218	\$ 638,772	\$ -	\$ -
City- Home TBRA #2	POFCS-FDCS0012562	14.239	22,546	-	-
Continuum of Care	POFCS-FDCS0014007	14.267	123,750	-	-
<i>Passed through New Mexico Mortgage Finance Authority</i>					
State MFA RAP Rehousing	19-02-HPW-RAP-001	14.231	53,945	-	-
Continuum of Care	19-02-HOP-COC-001	14.267	30,789	-	-
<i>Direct Assistance</i>					
Continuum of Care	NM0112L6B001802	14.267	144,544	-	-
<i>Total U.S. Department of Housing and Urban Development</i>			1,014,346	-	-
Department of Health and Human Services					
<i>Passed through City of Albuquerque</i>					
Assisted Outpatient Program	POFCS-FCS0014412	93.997	333,568	-	-
<i>Passed through New Mexico Human Services Department</i>					
Substance Abuse and Mental					
Health Service Projects	BF00	93.243	613,396	-	-
Substance Abuse Prevention Treatment	B800	93.959	115,000	-	-
<i>Passed through NM Children Youth and Families Dept.</i>					
TANF	80-690-18-15324	93.558	520,864	-	-
<i>Total Department of Health and Human Services</i>			1,582,828	-	-
Department of Education- Rehabilitation Services Administration					
<i>Passed through Southern University at Baton Rouge</i>					
Vocational Rehabilitaiaon Project E3	PSC2293	84.264F	21,722	-	-
<i>Total Department of Education- Rehabilitation Services Administration</i>			21,722	-	-
<i>Total Federal Financial Assistance</i>			\$ 2,618,896	\$ -	\$ -

* Denotes Major Federal Financial Assistance Program
() Denotes Cluster

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of HopeWorks and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 **Loans**

HopeWorks did not expend federal awards related to loans or loan guarantees during the year.

3 **10% de minimus Indirect Cost Rate**

HopeWorks did not elect to use the allowed 10% indirect cost rate.

4 **Federally Funded Insurance**

HopeWorks has no federally funded insurance.

HOPEWORKS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 — Internal Controls over Financial Close and Reporting – (Material Weakness)

Condition: During our audit, we noted that the following deficiencies in internal controls:

- The Organization's internal controls were not operating as designed over nonstandard journal entries during the year by having a review over the journal entries before being posted. We noted that the same individual that initiated the adjusting entries were also posting the entries (not reviewed by another designated individual).
- The Organization did not properly document its review over the bank reconciliations for fiscal year 2021 as required by the designed internal control system.
- The Organization does not have a formal approval process related to the ACH transactions and there are individuals that can initiate and execute these transactions without approval. In addition, we noted that certain individuals have full access to set up vendors, approve purchases, process vouchers and control the mailing of vouchers. Lastly, the entity has not performed a vendor master file "clean up" in several years.
- We noted a breakdown in the decentralized house (Dismas) where the individual that was collecting rents, stored the January 2021 funds received at the house and did not remit the deposits into the office until May 2021. We noted that the decentralized sites do not have a formal log process to ensure all tenants or bus clients are properly tracked, and there is a proper audit trail for the business office to review to ensure monies collected at these sites are not misappropriated.

Criteria: Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close and reporting functions to produce accurate and timely financial information in accordance with generally accepted accounting principles. Also, the Organization must adhere to their policies that ensure that a proper review is done over both its nonstandard journal entries and over its bank reconciliations and they need to be done timely.

Effect: The Organization violated its own policies during the current fiscal year and did not have the year-end financial closeout done timely. Also, not properly reviewing bank reconciliations and having discrepancies, increases the risk of errors or fraud not being detected and corrected in a timely manner.

Cause: Due to the Coronavirus pandemic, the Organization was not able to have a fully staffed accounting departments and experienced a significant amount of turnover. Also, most employees were not present at the Organization's offices which led to certain internal controls not being followed. This presents a risk to the Organization that either errors or fraud could occur because the internal controls were not being adhered to.

Auditors' Recommendation: We recommend that the Organization ensure that all internal controls are followed regardless of the circumstances to ensure the risk of errors and fraud is reduced to an acceptable level. We recommend that the Organization ensure that its closing process is well documented to substantiate all balances and will help to ensure the closeout will be done accurately.

Management's Response: The Auditor is correct in the reason for the cause of these deficiencies. HopeWorks, like all businesses, is currently experiencing a difficult time hiring competent employees for key positions in the finance department. HopeWorks is continuing to pursue all avenues to get fully staffed now that the Coronavirus pandemic is appearing to subside. In March, a temporary employee was hired to help in the separation of duties and ensure all Internal Controls are followed.

By March 31st HopeWorks will remove access from journal entry posting for all the financial staff. The only person available to post a journal voucher will be the Controller until a permanent CFO is hired. Vendor setups will be removed from all finance staff and the contract employee will be only individual to add vendors since this individual does not have access to check stock or ability to produce a check.

HOPEWORKS
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

The contract employee will perform the bank reconciliations. Then reviewed and initialed first by the Controller or Senior Accountant and then by the CEO before filed in the system and Financial Statements produced.

HopeWorks has currently changed banks and now require two individuals to execute an ACH transaction. This has been the process since February 2022.

For Dismas House, as well as Casa de Phoenix, we are now requiring that rents that are collected are recorded in a receipt book and signed by the client. Every week, the receipt book along with rents is brought to the Hope Center and collected and verified by the Office Manager.

2021-002- Deficiency in Tracking of Net Assets Restrictions (Significant Deficiency)

Condition: During our audit procedures, we noted that the Organization did not perform an accurate close out of the activity during the year for its restricted and endowment funds including the allocation of all account balances that affect each of these elements. We also could not agree the year's activity, including revenue, expenses, and adjustments to the underlying evidence that are maintained for each restricted and endowed fund.

Criteria: Uniform Prudent Management of Institutional Funds Act (UPMIFA) and generally accepted accounting principles requires the Organization to properly track, account for, and reconcile any restricted funds it received.

Effect: The Organization's internal control procedures did not allow for a timely close out process of the account balances, accurate reporting, or necessary reconciliations.

Cause: The Organization lost a key employee resource and was not able to properly implement the financial close process.

Auditors' Recommendations: We recommend that the supporting schedule for endowed and restricted funds be maintained, updated, and reconciled on a quarterly basis and that all funds be properly segregated to mirror the accounting records and transactions that are executed by the Organization.

Management's Response: HopeWorks resolves to ensure that the supporting schedule for endowed and restricted funds be maintained, updated, and reconciled on a quarterly basis and that all funds be property segregated. Effective immediately, due to staffing shortages, this function will have to be shared by the Controller and CEO until a Senior Accountant position can be filled.

SECTION III - FEDERAL AWARD FINDINGS

None noted

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None noted