

**Hopeworks and Controlled Affiliate**

**Consolidated Financial Statements**

**For the Years Ended June 30, 2022 and 2021**

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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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of HopeWorks and its controlled affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HopeWorks as of June 30, 2022 and 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.

#### *Basis for Opinion*

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HopeWorks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HopeWorks's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HopeWorks's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HopeWorks's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HopeWorks's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HopeWorks's internal control over financial reporting and compliance.

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

Cordova CPAs LLC  
Albuquerque, New Mexico  
March 31, 2023

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**HOPEWORKS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

<b>Assets</b>	<u><b>2022</b></u>	<u><b>2021</b></u>
Current assets		
Cash and cash equivalents	\$ 1,419,232	\$ 2,646,510
Investments	1,751,628	1,837,283
Pledges receivables	-	110,000
Grant receivables	1,315,326	771,608
Other receivables	75,000	-
Prepaid expenses and deposits	2,310	52,468
Total current assets	<u>4,563,496</u>	<u>5,417,869</u>
Non-current and other assets		
Property and equipment, net	<u>3,158,520</u>	<u>3,379,204</u>
Total assets	<u><u>\$ 7,722,016</u></u>	<u><u>\$ 8,797,073</u></u>
 <b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 229,708	\$ 69,575
Accrued wages and benefits	256,208	337,457
Payroll tax liabilities	73,306	88,812
Current portion of notes payable	27,112	32,344
Total current liabilities	<u>586,334</u>	<u>528,188</u>
Noncurrent liabilities		
Notes payable- net of current portion	284,951	407,222
Note payable- single site	1,466,701	1,466,701
Total liabilities	<u>2,337,986</u>	<u>2,402,111</u>
Net assets		
Without donor restrictions	3,640,574	4,551,042
With donor restrictions	1,743,456	1,843,920
Total net assets	<u>5,384,030</u>	<u>6,394,962</u>
Total liabilities and net assets	<u><u>\$ 7,722,016</u></u>	<u><u>\$ 8,797,073</u></u>

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

**HOPEWORKS  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022 (WITH  
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	<b><u>Without Donor Restrictions</u></b>
<b>Revenues and other support</b>	
Grants	\$ 5,715,110
Medicaid fees	2,586,708
Contributions and support	925,505
In-kind income	412,981
Program income and charges	49,179
United Way allocations	-
Administrative income	6,843
Paycheck protection program support forgiven	-
Event income	-
Investment income (loss)	(82,104)
Net assets released from restrictions	
Restrictions satisfied by program payments and the passage of time	<u>119,688</u>
 Total revenues and other support	 <u>9,733,910</u>
 <b>Expenses</b>	
Program services	8,421,184
Management and general	1,866,595
Fundraising	<u>356,599</u>
 Total expenses	 <u>10,644,378</u>
 Increase (decrease) in net assets	 (910,468)
 Net assets at beginning of year	 <u>4,551,042</u>
 Net assets at end of year	 <u><u>\$ 3,640,574</u></u>

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

<b>With Donor Restrictions</b>	<b>2022 Total</b>	<b>2021 Total</b>
\$ -	\$ 5,715,110	\$ 5,990,127
-	2,586,708	2,861,421
20,000	945,505	1,120,930
-	412,981	517,333
-	49,179	50,809
-	-	110,000
-	6,843	123,462
-	-	1,102,712
-	-	500
(776)	(82,880)	162,410
<u>(119,688)</u>	<u>-</u>	<u>-</u>
<u>(100,464)</u>	<u>9,633,446</u>	<u>12,039,704</u>
-	8,421,184	8,716,483
-	1,866,595	1,361,093
-	356,599	232,835
<u>-</u>	<u>10,644,378</u>	<u>10,310,411</u>
(100,464)	(1,010,932)	1,729,293
<u>1,843,920</u>	<u>6,394,962</u>	<u>4,665,669</u>
<u>\$ 1,743,456</u>	<u>\$ 5,384,030</u>	<u>\$ 6,394,962</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, 2022 (WITH**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	<b>PROGRAM SERVICES</b>		
	<b>BEHAVIORAL HEALTH</b>	<b>HOUSING</b>	<b>EMPLOYMENT</b>
Salaries and wages	\$ 2,726,418	\$ 492,507	\$ 80,669
Payroll taxes	249,651	45,396	8,113
Benefits	279,239	42,446	5,825
Assistance to beneficiaries	206,420	1,752,916	775
Professional services	396,558	34,138	-
Rents and leases	54,495	36,766	-
Insurance	46,333	868	-
Office and operating supplies	41,763	3,579	923
Communications	43,996	7,419	350
Utilities	50,845	6,500	-
Recruiting	26,535	2,737	-
Travel and transportation	42,480	4,532	-
Repairs and maintenance	55,774	12,688	-
Conferences and meetings	20,561	2,695	-
Postage and printing	2,166	249	36
Miscellaneous	1	-	-
Interest expense	2,949	-	-
Equipment non-capital	-	89,092	-
Loss on disposal of assets	(87,268)	-	-
Expenses before depreciation	<u>4,158,916</u>	<u>2,534,528</u>	<u>96,691</u>
Depreciation expense	<u>40,393</u>	<u>13,530</u>	<u>-</u>
Total expenses	<u>\$ 4,199,309</u>	<u>\$ 2,548,058</u>	<u>\$ 96,691</u>

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

**PROGRAM SERVICES**

<b><u>HOPE FOUND</u></b>	<b><u>SHELTER</u></b>	<b><u>TOTAL</u></b>
\$ 190,940	\$ 286,200	\$ 3,776,734
17,332	26,418	346,910
24,173	21,378	373,061
202,724	447,400	2,610,235
3,778	183,659	618,133
6,038	440	97,739
1,951	8,560	57,712
441	1,801	48,507
9,597	4,101	65,463
3,423	19,687	80,455
2,274	3,688	35,234
3,956	2,170	53,138
-	30,212	98,674
2,800	461	26,517
-	31	2,482
-	-	1
8,724	-	11,673
-	614	89,706
-	-	(87,268)
<u>478,151</u>	<u>1,036,820</u>	<u>8,305,106</u>
<u>6,747</u>	<u>55,408</u>	<u>116,078</u>
<u>\$ 484,898</u>	<u>\$ 1,092,228</u>	<u>\$ 8,421,184</u>

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, 2022 (WITH**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	<b>SUPPORTING SERVICES</b>		
	<b>TOTAL PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>
Salaries and wages	\$ 3,776,734	\$ 996,801	\$ 228,905
Payroll taxes	346,910	80,648	21,663
Benefits	373,061	97,202	17,450
Assistance to beneficiaries	2,610,235	-	-
Professional services	618,133	361,059	60,791
Rents and leases	97,739	5,006	-
Insurance	57,712	64,459	-
Office and operating supplies	48,507	32,369	2,742
Communications	65,463	8,216	-
Utilities	80,455	7,549	-
Recruiting	35,234	22,695	467
Travel and transportation	53,138	326	-
Repairs and maintenance	98,674	15,119	-
Conferences and meetings	26,517	26,490	-
Postage and printing	2,482	2,337	17,018
Miscellaneous	1	27,467	4,313
Interest expense	11,673	4,160	-
Equipment non-capital	89,706	59,861	-
Dues and subscriptions	-	-	2,302
Community and employee relations	-	2,075	948
Fundraising	-	-	-
(Gain) loss on disposal of assets	(87,268)	-	-
Expenses before depreciation	<u>8,305,106</u>	<u>1,813,839</u>	<u>356,599</u>
Depreciation expense	<u>116,078</u>	<u>52,756</u>	<u>-</u>
Total expenses	<u>\$ 8,421,184</u>	<u>\$ 1,866,595</u>	<u>\$ 356,599</u>

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

<b>TOTAL SUPPORTING SERVICES</b>	<b>2022 TOTAL EXPENSES</b>	<b>2021 TOTAL EXPENSES</b>
\$ 1,225,706	\$ 5,002,440	\$ 5,405,848
102,311	449,221	414,965
114,652	487,713	499,127
-	2,610,235	2,395,577
421,850	1,039,983	568,419
5,006	102,745	148,700
64,459	122,171	101,463
35,111	83,618	93,490
8,216	73,679	94,146
7,549	88,004	81,501
23,162	58,396	46,995
326	53,464	59,187
15,119	113,793	46,248
26,490	53,007	54,346
19,355	21,837	25,574
31,780	31,781	22,094
4,160	15,833	19,052
59,861	149,567	43,450
2,302	2,302	4,709
3,023	3,023	1,096
-	-	-
-	(87,268)	2,833
<u>2,170,438</u>	<u>10,475,544</u>	<u>10,128,820</u>
<u>52,756</u>	<u>168,834</u>	<u>181,591</u>
<u>\$ 2,223,194</u>	<u>\$ 10,644,378</u>	<u>\$ 10,310,411</u>

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

**HOPEWORKS**  
**CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Cash received from grantors	\$ 5,171,392	\$ 5,802,632
Cash received from Medicaid fees	2,511,708	2,861,421
Cash received from program fees	49,179	65,304
Cash received from contributions and other support	1,062,348	1,308,508
Cash received from interest	18,231	61,458
Cash paid to and on behalf of employees	(6,036,129)	(6,284,452)
Cash paid for assistance to beneficiaries	(2,197,254)	(1,878,244)
Cash paid for operating expenses	(1,699,811)	(1,443,276)
Cash paid for interest	(15,833)	(19,052)
Net cash (used) provided by operating activities	<u>(1,136,169)</u>	<u>474,299</u>
<b>Cash flows from investing activities</b>		
Proceeds of sale of Yale property	126,500	-
Cash paid for investment in property and equipment	(74,650)	(143,944)
Dividends and interest reinvested	(15,456)	(45,384)
Net cash provided (used) by investing activities	<u>36,394</u>	<u>(189,328)</u>
<b>Cash flows from financing activities</b>		
Principal payments on debt	(127,503)	(31,031)
Net cash (used) by financing activities	<u>(127,503)</u>	<u>(31,031)</u>
Net (decrease) increase in cash and cash equivalents	(1,227,278)	253,940
Cash and cash equivalents at beginning of year	<u>2,646,510</u>	<u>2,392,570</u>
Cash and cash equivalents at end of year	<u>\$ 1,419,232</u>	<u>\$ 2,646,510</u>
<b>SIGNIFICANT NON CASH ACTIVITIES</b>		
In-kind donation of materials	<u>\$ 412,981</u>	<u>\$ 517,333</u>
Paycheck protection program support forgiven	<u>\$ -</u>	<u>\$ 1,102,712</u>

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



**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022, 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, 2022, 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, 2022 AND 2021**

**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 and cash equivalents. 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, 2022 AND 2021**

**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, 2022 and 2021 was \$168,834 and \$181,591, respectively.

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 2019, 2020 and 2021 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.

Subsequent Events. HopeWorks has evaluated events subsequent to June 30, 2022 that would possibly require adjustment or disclosure in these financial statements, through March 31, 2023, 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. In December 2022, this arrangement has been executed.

Reclassifications. Certain reclassifications have been made to the 2021 financial statement presentation to conform to the 2022 presentation.

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2. Investments**

HopeWorks carries investments with readily determinable fair values. Fair values as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Investments:		
Fixed income	\$ 1,353,776	\$ 1,432,552
Money Market	200,391	200,317
Equities	-	-
Endowment - Pooled	197,461	204,414
Total investments	<u>\$ 1,751,628</u>	<u>\$ 1,837,283</u>

Investment return is summarized as follows:

Interest income	\$ 18,231	\$ 61,758
Realized gain (loss)	-	-
Unrealized gain (loss)	(101,111)	100,652
Investment fees	-	-
Total investment return	<u>\$ (82,880)</u>	<u>\$ 162,410</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, 2022 AND 2021**

**NOTE 3. Fair Value Measurements of Investments (continued)**

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, 2022. 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, 2022 and 2021:

	<b>2022</b>			
	Fair Value	Level 1	Level 2	Level 3
Fixed Income	\$ 1,353,776	\$ 1,353,776	\$ -	\$ -
Money Market Fund	200,391	200,391	-	-
Endowment - Pooled	197,461	-	197,461	-
<b>Total assets</b>	<b>\$ 1,751,628</b>	<b>\$ 1,554,167</b>	<b>\$ 197,461</b>	<b>\$ -</b>

  

	<b>2021</b>			
	Fair Value	Level 1	Level 2	Level 3
Fixed Income	\$ 1,432,552	\$ 1,432,552	\$ -	\$ -
Equities	200,317	200,317	-	-
Endowment - Pooled	204,414	-	204,414	-
<b>Total assets</b>	<b>\$ 1,837,283</b>	<b>\$ 1,632,869</b>	<b>\$ 204,414</b>	<b>\$ -</b>

Following is a description of the valuation methodologies used for investments measured at fair value. There were no changes to these valuation methodologies in 2022.

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, 2022 AND 2021**

**NOTE 4. Unconditional Promises to Give**

The Organization had outstanding promises to give as of June 30, 2021 from the United Way totaling \$110,000 which were collected during 2022 and the purpose restrictions that the resources must be used were satisfied.

**NOTE 5. Receivables**

Receivables represent the following amounts due to HopeWorks on June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Albuquerque	\$ 554,741	\$ 370,427
State of New Mexico	308,893	252,376
Bernalillo County	376,992	-
U.S. Department of Housing and Urban Development	12,037	13,919
Monarch	75,000	-
Provider fees and other receivables	<u>62,663</u>	<u>134,886</u>
Total receivables	<u>\$ 1,390,326</u>	<u>\$ 771,608</u>

**NOTE 6. Property and Equipment**

A summary of property and equipment and changes occurring during the year ended June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 1,848,258	\$ 2,053,467
Capital improvements	1,042,117	1,042,116
Automobiles	381,267	315,991
Furniture & equipment	182,680	182,680
Land	166,379	166,379
Land- single site	1,045,924	1,045,924
Computer equipment & software	173,243	163,869
Construction in progress	<u>488,738</u>	<u>488,738</u>
Total property and equipment	5,328,606	5,459,164
Less accumulated depreciation	<u>2,170,086</u>	<u>2,079,960</u>
Net property and equipment	<u>\$ 3,158,520</u>	<u>\$ 3,379,204</u>



**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7. Notes Payable**

During the fiscal year ended June 30, 2020, the City of Albuquerque, in partnership with Bernalillo County, committed \$4,000,000 for the construction of a new 42 unit one-bedroom permanent supportive housing facility (single site). HopeWorks has a zero percent promissory note obligation, secured by a mortgage, to the City of Albuquerque over a 30-year term. At the end of the term, and upon completion of the terms and conditions of the agreement, the note will be discharged and forgiven. As of June 30, 2022 and 2021, the note payable related to the single site purchase of land and pre-development costs was \$1,466,701.

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

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
Dismas Loan	\$ 26,224	\$ -	\$ 10,823	\$ 15,401	\$ 10,821
Yale Loan	100,500	-	100,500	-	-
Hope Center Loan	312,842	-	16,180	296,662	16,291
Total	<u>\$ 439,566</u>	<u>\$ -</u>	<u>\$ 127,503</u>	<u>\$ 312,063</u>	<u>\$ 27,112</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, 2022, including interest payments, are as follows:

<u>Fiscal Year</u> <u>Ending June</u> <u>30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,821	\$ 417	\$ 11,238
2024	<u>4,580</u>	<u>36</u>	<u>4,616</u>
Total	<u>\$ 15,401</u>	<u>\$ 453</u>	<u>\$ 15,854</u>

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7. Notes Payable (continued)**

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:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 16,291	\$ 12,081	\$ 28,372
2024	17,677	11,387	29,064
2025	18,461	10,603	29,064
2026	19,248	9,816	29,064
2027 and thereafter	<u>224,985</u>	<u>32,620</u>	<u>257,605</u>
Total	<u>\$ 296,662</u>	<u>\$ 76,507</u>	<u>\$ 373,169</u>

**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

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8. Endowment Funds (continued)**

- 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, 2022 and 2021, no earnings from the endowment fund were used in operations.

Endowment Net Asset Composition by Type of Fund as of June 30, 2022:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ 75,459	\$ -	\$ 75,459
Donor (Dismas) restricted funds	-	18,590	18,590
Board designated funds	-	103,412	103,412
Total endowment funds	<u>\$ 75,459</u>	<u>\$ 122,002</u>	<u>\$ 197,461</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 81,635	\$ 122,779	\$ 204,414
Contributions received	-	-	-
Investment income (loss)	(4,347)	(449)	(4,796)
Appropriation of endowed net assets	<u>(1,829)</u>	<u>(328)</u>	<u>(2,157)</u>
Total endowment funds	<u>\$ 75,459</u>	<u>\$ 122,002</u>	<u>\$ 197,461</u>

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 8. Endowment Funds (continued)**

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

	<b>2021</b>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Undesignated	\$ 81,635	\$ -	\$ 81,635
Donor restricted funds	-	19,367	19,367
Board designated funds	-	103,412	103,412
	<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)
Distributions	(5,044)	5,044	-
	<u>\$ 81,635</u>	<u>\$ 122,779</u>	<u>\$ 204,414</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>2022</u>	<u>2021</u>
Financial assets at year end	\$ 3,170,860	\$ 4,483,793
Less those unavailable for general expenditures within one year, due to:		
Donor restricted net assets	<u>(1,743,456)</u>	<u>(1,843,920)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,427,404</u>	<u>\$ 2,639,873</u>

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

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Time restriction:		
United Way	\$ -	\$ 110,000
Purpose restriction:		
Bezos Foundation	1,599,291	1,599,291
Bruner Contribution	10,312	-
Total subject to Purpose Restrictions	<u>1,609,603</u>	<u>1,599,291</u>
Subject to HopeWorks Spending Policy and Appropriation:		
Endowments	122,003	122,779
Alotta Foundation	11,850	11,850
Total subject to Spending Policy and Appropriations	<u>133,853</u>	<u>134,629</u>
 Total Net Assets with donor restriction	 <u>\$ 1,743,456</u>	 <u>\$ 1,843,920</u>

**NOTE 11. Revenue from Contracts with Customers**

The following table represents Medicaid fees services provided to the Organization's customers:

	<u>2022</u>	<u>2021</u>
Behavior and Mental Health Services	\$ 2,586,708	\$ 2,861,421
 Total	 <u>\$ 2,586,708</u>	 <u>\$ 2,861,421</u>
	<u>2022</u>	<u>2021</u>
Services transferred at a point in time	\$ 2,586,708	\$ 2,861,421
 Total	 <u>\$ 2,586,708</u>	 <u>\$ 2,861,421</u>

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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, 2022 and 2021, these streams of revenues were 75.8% and 73.5%, respectively, of the Organization's total operating revenue. In addition, 62.1% and 80.7% of the receivables as of June 30, 2022 and 2021 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 \$412,981 and \$517,333 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 totaled \$24,218 and \$21,076, 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 lease agreement with First California Investments for office space. Cost per year is \$36,000. Monthly base rent will be \$2,309.31 plus a pro-rata share of the building expenses currently estimated at \$583 and shall be paid in advance on the first day of each month. Lease is effective March 1, 2021 and will expire February 29, 2024 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>
2023 \$34,708
2024 \$23,138

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

**HOPEWORKS AND CONTROLLED AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 15. Commitments and Contingencies (continued)**

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.

The Organization has accrued a \$50,000 liability as part of a settlement with one of its grantors with respect to certain compliance over its contracts. As of the date of this report, it is expected that this matter has been resolved and no other liabilities will be incurred going forward.

**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.

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## **SUPPLEMENTARY INFORMATION**

**HOPEWORKS AND CONTROLLED AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

<b>Assets</b>	<u><b>HopeWorks</b></u>	<u><b>New Hope Housing LLC</b></u>
Current assets		
Cash and cash equivalents	\$ 1,419,232	\$ -
Investments	1,751,628	-
Grant receivables	938,334	376,992
Other receivables	75,000	-
Prepaid expenses and deposits	2,310	-
Due from New Hope Housing LLC	316,838	-
Total current assets	<u>4,503,342</u>	<u>376,992</u>
Non-current and other assets		
Property and equipment, net	<u>1,682,445</u>	<u>1,476,075</u>
Total assets	<u><u>\$ 6,185,787</u></u>	<u><u>\$ 1,853,067</u></u>
 <b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 228,889	\$ 819
Accrued wages and benefits	256,208	-
Payroll tax liabilities	20,546	52,760
Due to HopeWorks	-	316,838
Current portion of notes payable	27,112	-
Total current liabilities	<u>532,755</u>	<u>370,417</u>
Noncurrent liabilities		
Notes payable- net of current portion	284,951	-
Note payable- single site	-	1,466,701
Total liabilities	<u>817,706</u>	<u>1,837,118</u>
Net assets		
Without donor restrictions	3,624,625	15,949
With donor restrictions	1,743,456	-
Total net assets	<u>5,368,081</u>	<u>15,949</u>
Total liabilities and net assets	<u><u>\$ 6,185,787</u></u>	<u><u>\$ 1,853,067</u></u>

See accompanying independent auditors' report.

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 1,419,232
-	1,751,628
-	1,315,326
-	75,000
-	2,310
<u>(316,838)</u>	<u>-</u>
(316,838)	4,563,496
<u>-</u>	<u>3,158,520</u>
<u>\$ (316,838)</u>	<u>\$ 7,722,016</u>
\$ -	\$ 229,708
-	256,208
-	73,306
(316,838)	-
-	27,112
<u>(316,838)</u>	<u>586,334</u>
-	284,951
-	1,466,701
<u>(316,838)</u>	<u>2,337,986</u>
-	3,640,574
-	1,743,456
<u>-</u>	<u>5,384,030</u>
<u>\$ (316,838)</u>	<u>\$ 7,722,016</u>

See accompanying independent auditors' report.

**HOPEWORKS AND CONTROLLED AFFILIATE  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>HopeWorks</u>	<u>New Hope Housing, LLC</u>
<b>Revenues and other support</b>		
Grants	\$ 5,303,704	\$ 411,406
Medicaid fees	2,586,708	-
Contributions and support	925,505	20,000
In-kind income	412,981	-
Program income and charges	49,179	-
Administrative income	6,843	-
Investment income (loss)	<u>(82,880)</u>	<u>-</u>
Total revenues and other support	<u>9,202,040</u>	<u>431,406</u>
<b>Expenses</b>		
Program services	7,978,062	443,122
Management and general	1,866,595	-
Fundraising	<u>356,599</u>	<u>-</u>
Total expenses	<u>10,201,256</u>	<u>443,122</u>
Increase (decrease) in net assets	(999,216)	(11,716)
Net assets at beginning of year	<u>6,367,297</u>	<u>27,665</u>
Net assets at end of year	<u>\$ 5,368,081</u>	<u>\$ 15,949</u>

See accompanying independent auditors' report.

<u>Eliminations</u>	<u>Totals</u>
\$ -	\$ 5,715,110
-	2,586,708
-	945,505
-	412,981
-	49,179
-	6,843
-	(82,880)
<hr/>	<hr/>
-	9,633,446
<hr/>	<hr/>
-	8,421,184
-	1,866,595
-	356,599
<hr/>	<hr/>
-	10,644,378
<hr/>	<hr/>
-	(1,010,932)
<hr/>	<hr/>
-	6,394,962
<hr/>	<hr/>
<u>\$ -</u>	<u>\$ 5,384,030</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, 2022, and the related notes to the consolidated financial statement and have issued our report thereon dated March 31, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HopeWorks'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HopeWorks's internal control. Accordingly, we do not express an opinion on the effectiveness of HopeWorks's internal control.

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 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 identified 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 2022-001 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 2022-002 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether HopeWorks's 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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **HopeWorks's Response to Finding**

HopeWorks's response to the finding 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 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's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HopeWorks's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Cordova CPAs LLC  
Albuquerque, NM  
March 31, 2023

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## **FEDERAL FINANCIAL ASSISTANCE**

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

#### ***Opinion on Each Major Federal Program***

We have audited HopeWorks's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of HopeWorks's major federal programs for the year ended June 30, 2022. HopeWorks's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HopeWorks and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of HopeWorks's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to HopeWorks's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HopeWorks's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HopeWorks's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding HopeWorks's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HopeWorks's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HopeWorks's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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 a 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.

We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on HopeWorks's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. HopeWorks's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Cordova CPAs LLC  
Albuquerque, NM  
March 31, 2023

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**HOPEWORKS**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

<b>Federal Grantor or Pass-Through Grantor / Program Title</b>	<b>Pass Thru Number</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<b>Department of Housing and Urban Development</b>					
<i>Passed through City of Albuquerque</i>					
Continuum of Care Program	POFCS-FDCS0013762	14.267	* \$ 655,563	-	-
<i>Passed through New Mexico Mortgage Finance Authority</i>					
Emergency Solutions Grant Program	20-02-HPW-CAR-001	14.231	199,738	-	-
Continuum of Care Program	19-02-HOP-COC-001	14.267	* 30,788	-	-
<i>Direct Assistance</i>					
Continuum of Care Program	NM0005L6B001811	14.267	* 148,808	-	-
<i>Total U.S. Department of Housing and Urban Development</i>			<u>1,034,897</u>	<u>-</u>	<u>-</u>
<b>Department of Health and Human Services</b>					
<i>Passed through New Mexico Human Services Department</i>					
Substance Abuse and Mental Health Service Projects					
Health Service Projects	BF00	93.243	* 611,814	-	-
Substance Abuse Prevention Treatment	B800	93.959	114,999	-	-
<i>Passed through NM Children Youth and Families Dept.</i>					
TANF	80-690-18-15324	93.558	518,714	-	-
<i>Total Department of Health and Human Services</i>			<u>1,245,527</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>			<u>\$ 2,280,424</u>	<u>\$ -</u>	<u>\$ -</u>

\* 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 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, 2022

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | None noted |

*Federal Awards:*

- | 1. Internal control over major programs:   |  |                 |        |                           |        |  |  |
|--|--|-----------------|--------|---------------------------|--------|--|--|
| a. Material weaknesses identified?   | None   |                 |        |                           |        |  |  |
| b. Significant deficiencies identified not considered to be material weaknesses?   | Yes  |                 |        |                           |        |  |  |
| 2. Type of auditors' report issued on compliance for major programs  | Unmodified   |                 |        |                           |        |  |  |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  | Yes  |                 |        |                           |        |  |  |
| 4. Identification of major programs:   |  |                 |        |                           |        |  |  |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Assistance Listing<br/>Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">14.267</td> <td style="text-align: center;">Continuum of Care Program</td> </tr> <tr> <td style="text-align: center;">93.243</td> <td style="text-align: center;">Substance Abuse and Mental Health Service Projects</td> </tr> </tbody> </table> | Assistance Listing<br>Number                       | Federal Program | 14.267 | Continuum of Care Program | 93.243 | Substance Abuse and Mental Health Service Projects |  |
| Assistance Listing<br>Number   | Federal Program                                    |                 |        |                           |        |  |  |
| 14.267   | Continuum of Care Program                          |                 |        |                           |        |  |  |
| 93.243   | Substance Abuse and Mental Health Service Projects |                 |        |                           |        |  |  |
| 5. Dollar threshold used to distinguish between type A and type B programs:  | \$750,000  |                 |        |                           |        |  |  |
| 6. Auditee qualified as low-risk auditee?  | No   |                 |        |                           |        |  |  |

**HOPEWORKS**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2022-001 — 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 ending balances required material adjustments during the audit. The balances that were materially affected by these adjustments were related to long-term debt, payroll accruals and related salaries/benefits, additional accounts payable and other liabilities, and investments and related income/loss.
- 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.

*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, HopeWorks internal control procedures did not identify and adjust for the necessary corrections to the account balances for these transactions, and were it not identified and/or corrected by the auditor, could have resulted in misstatements to the financial statements.

*Cause:* Due to the Coronavirus pandemic, the Organization was not able to have a fully staffed accounting department 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. Lastly, we recommend that HopeWorks perform a thorough year end analysis on all account balances prior to closing out the fiscal year to ensure all required adjustments are reflected for year end reporting.

*Management’s Response:* HopeWorks had significant difficulties in staffing during and after COVID coupled with higher than normal employee turnover. The organization is now stabilized and has competent and well-trained staff in place. Only the CFO and Controller are able to review and post journal vouchers. In the event that the CFO or Controller create a journal voucher, neither party will post their own journal vouchers but rather review and post each other’s. All new vendors are set up in the system by a designated accountant. This account does not have the ability to initiate a payment, approve a payment, or issue a check. Bank reconciliations are prepared by a designated accountant that does not issue checks or ACH payments. The bank reconciliations are reviewed by the CFO and signed by the CEO.

**HOPEWORKS**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2022

**2022-002– 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 will ensure that the supporting schedule for endowed and restricted funds will be maintained, updated, and reconciled on a monthly basis to ensure all funds are property segregated. This process will be performed by the Controller and reviewed by the CFO.

**SECTION III - FEDERAL AWARD FINDINGS**

**2022-003 — Compliance over Matching – (Significant Deficiency)**

*Federal Program Information:*

Funding Agency:	Housing and Urban Development
Title:	Continuum of Care
CFDA Number:	14.267
Compliance Requirement:	Matching
Award Year:	July 1, 2021 to June 30, 2022

*Condition:* During our audit, we noted that Hopeworks only matched 18.48% of the total applicable expenses for the year which was less than the required 25%.

*Criteria:* Hopeworks must match all applicable grant funds, with no less than 25 percent of cash or in-kind contributions from other sources (24 CFR section 578.73(a)).

*Effect:* Hopeworks under matched the required amount for the Continuum of Care program.

*Questioned Costs:* None

*Cause:* HopeWorks has not established a sufficient system of internal control to ensure that they were in compliance with the required match for the fiscal year.

*Auditors’ Recommendation:* We recommend that Hopeworks establish a system of internal controls to ensure that they provide at least 25% of both cash and in-kind contributions for all applicable programs under the Continuum of Care program.

## **HOPEWORKS**

### **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022**

*Management's Response:* Hopeworks will implement a quarterly tracking system to ensure the grants achieve the 25% matching requirement. On a quarterly basis the Jessica Delgado the Quality and Compliance Officer will send the Finance Department a listing of applicable expenses incurred to date. The Finance Department will review these costs to the Medicaid billings to ensure the 25% match is being met. In the event of a shortfall Finance will coordinate with Quality and Compliance to adjust spending and/or Medicaid billings to bring the matching contribution into alignment with the grant's requirements.

#### **SECTION IV – PRIOR YEAR AUDIT FINDINGS**

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

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



**Hope Center Administration**  
1120 2nd St NW  
Albuquerque, NM 87102  
PO Box 27258  
Albuquerque, NM 87125  
Phone: (505) 242-4399  
Fax: (505) 944-7840

**Shelter**  
1201 3rd St NW  
505-843-9405

**Assertive Community Treatment (ACT)**  
(505) 884-4464

**Behavioral Health**  
(505) 764-8231

**Comp Recovery (CRT)**  
(505) 764-8231

**Dismas House**  
(505) 343-0746

**Hope Found**  
(505) 242-4399

**Hope Village**  
(505) 273-8750

**Housing Division**  
(505) 764-8231

**Outreach**  
(505) 764-8231

**Psych-Social Rehab (PSR)**  
(505) 242-5677

*"Ending Homelessness  
One Person at a Time!"*

## **CORRECTIVE ACTION PLAN – FEDERAL AWARD FINDINGS**

### **2022-003 — Compliance over Matching – (Significant Deficiency)**

#### *Federal Program Information:*

Funding Agency:	Housing and Urban Development
Title:	Continuum of Care
CFDA Number:	14.267
Compliance Requirement:	Matching
Award Year:	July 1, 2021 to June 30, 2022

*Condition:* During our audit, we noted that Hopeworks only matched 18.48% of the total applicable expenses for the year which was less than the required 25%.

*Criteria:* Hopeworks must match all applicable grant funds, with no less than 25 percent of cash or in-kind contributions from other sources (24 CFR section 578.73(a)).

*Effect:* Hopeworks under matched the required amount for the Continuum of Care program.

*Questioned Costs:* None

*Cause:* Hopeworks did not establish a sufficient system of internal control to ensure that they were in compliance with the required match for the fiscal year.

*Auditors' Recommendation:* We recommend that Hopeworks establish a system of internal controls to ensure that they provide at least 25% of both cash and in-kind contributions for all applicable programs under the Continuum of Care program.

*Management's Response:* Hopeworks will implement a quarterly tracking system to ensure the grants achieve the 25% matching requirement. On a quarterly basis the Jessica Delgado the Quality and Compliance Officer will send the Finance Department a listing of applicable expenses incurred to date. The Finance Department will review these costs to the Medicaid billings to ensure the 25% match is being met. In the event of a shortfall Finance will coordinate with Quality and Compliance to adjust spending and/or Medicaid billings to bring the matching contribution into alignment with the grant's requirements.