



Financial Statements
(With Supplementary Information)

For the Year Ended September 30, 2022

SK

SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Hope Shores Alliance

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 14
Supplementary Information	
Schedule of Support and Revenues, Expenses and Net Assets	15
Single Audit	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 - 17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	18 - 20
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23 - 24



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope Shores Alliance
Alpena, MI

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of *Hope Shores Alliance* (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of *Hope Shores Alliance* as of September 30, 2022, 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 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. 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 *Hope Shores Alliance* and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the 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 *Hope Shores Alliance'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 *Hope Shores Alliance'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 *Hope Shores Alliance'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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 February 6, 2023 on our consideration of *Hope Shores Alliance'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 *Hope Shores Alliance'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 *Hope Shores Alliance's* internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited *Hope Shores Alliance's* 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith + Klaehowitz PC

Saginaw, Michigan

February 6, 2023

Hope Shores Alliance
Statement of Financial Position
September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 174,863	\$ -	\$ 174,863
Grants receivable	136,687	-	136,687
Other receivables	25,769	-	25,769
Total current assets	337,319	-	337,319
Noncurrent assets			
Investments	37,986	-	37,986
Property and equipment			
Land	20,000	-	20,000
Land improvements	8,764	-	8,764
Buildings	496,264	-	496,264
Leasehold improvements	213,614	-	213,614
Furniture and fixtures	10,762	-	10,762
sub-total	749,404	-	749,404
Less accumulated depreciator	(334,507)	-	(334,507)
Net property and equipment	414,897	-	414,897
Total noncurrent assets	452,883	-	452,883
Total assets	\$ 790,202	\$ -	\$ 790,202
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 18,774	\$ -	\$ 18,774
Current portion of long-term debt (notes payable)	56,137	-	56,137
Accrued wages, payroll taxes and deduction	49,125	-	49,125
Total current liabilities	124,036	-	124,036
Noncurrent liabilities			
Long-term debt (notes payable), net of current portion	180,855	-	180,855
Accrued compensated absences	26,109	-	26,109
Total noncurrent liabilities	206,964	-	206,964
Total liabilities	331,000	-	331,000
Net assets			
Without donor restrictions - undesignated	459,202	-	459,202
Total liabilities and net assets	\$ 790,202	\$ -	\$ 790,202

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

Hope Shores Alliance

Statement of Activities

For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Governmental agencies:			
Federal financial assistance	\$ -	\$ 1,239,140	\$ 1,239,140
State and local agencies	-	151,632	151,632
Contributions	95,502	23,092	118,594
Fundraising	47,773	-	47,773
Donated facilities	-	108,156	108,156
Donated materials	112,850	-	112,850
Thrift store sales	138,234	-	138,234
Interest revenue	135	-	135
Net assets released from restrictions	1,553,460	(1,553,460)	-
Total support and revenue	1,947,954	(31,440)	1,916,514
Expenses			
Program / supporting services			
Domestic violence	940,905	-	940,905
Sexual assault	340,116	-	340,116
Supportive housing (excluding safe house)	383,592	-	383,592
Non-program supporting services:			
Management and general	152,943	-	152,943
Thrift store operations	178,507	-	178,507
Total expenses	1,996,063	-	1,996,063
Change in net assets	(48,109)	(31,440)	(79,549)
Net assets - beginning of year	507,311	31,440	538,751
Net assets - end of year	\$ 459,202	\$ -	\$ 459,202

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

Hope Shores Alliance

Statement of Functional Expenses

For the Year Ended September 30, 2022

(with comparative total amounts for the year ended September 30, 2021)

	Program / Supporting Services		
	Domestic Violence	Sexual Assault	Supportive Housing (Excluding Safe House)
Salaries	\$ 502,859	\$ 236,253	\$ 81,461
Workers compensation	3,505	991	464
Benefits	45,856	21,227	13,789
Payroll taxes	44,566	20,386	7,052
Total salaries and related expenses	596,786	278,857	102,766
Association fees	731	464	270
Client assistance - general	50,127	9,144	63,884
Client assistance - lease vouchers	163	-	108,871
Community awareness and education	269	-	-
Contractual services	8,836	4,375	1,280
Dues and subscriptions	937	59	1,151
Food supplies	3,061	-	-
Household supplies	-	-	-
Insurance - commercial packages	9,261	3,997	3,797
Insurance - volunteers	-	-	-
Interest	-	-	-
Donated facilities	27,852	-	80,304
Donated materials	112,850	-	-
Miscellaneous	-	-	-
Office supplies	25,973	5,866	2,077
Postage	518	292	282
Professional fees	2,954	1,566	1,608
Rent	29,124	16,593	4,419
Repairs and maintenance	16,625	115	(1,496)
Staff development	2,163	2,753	932
Transportation	21,380	7,161	4,028
Telephone	16,205	6,620	2,914
Utilities	15,090	2,254	968
Total expenses before depreciation	940,905	340,116	378,055
Depreciation expense	-	-	5,537
Total expenses	\$ 940,905	\$ 340,116	\$ 383,592

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

Non-Program Supportive Services		Total	
Management and General	Thrift Store Operations	2022	2021
\$ 80,030	\$ 87,237	\$ 987,840	\$ 956,258
1,944	-	6,904	5,475
10,679	6,254	97,805	117,839
6,432	8,589	87,025	77,761
99,085	102,080	1,179,574	1,157,333
383	-	1,848	3,039
103	-	123,258	141,785
-	-	109,034	94,776
-	527	796	869
10,860	1,649	27,000	89,280
8,616	2,665	13,428	18,696
-	-	3,061	1,003
-	-	-	52
6,221	2,210	25,486	31,654
500	-	500	-
1,219	7,681	8,900	10,412
-	-	108,156	100,740
-	-	112,850	24,978
138	-	138	1,015
4,815	16,989	55,720	83,904
541	-	1,633	1,018
2,704	168	9,000	7,300
9,641	13,000	72,777	57,782
72	4,505	19,821	14,834
366	-	6,214	4,381
1,363	971	34,903	21,991
3,017	4,025	32,781	31,903
1,509	14,956	34,777	23,006
151,153	171,426	1,981,655	1,921,751
1,790	7,081	14,408	11,682
\$ 152,943	\$ 178,507	\$ 1,996,063	\$ 1,933,433

Hope Shores Alliance

Statement of Cash Flows

For the Year Ended September 30, 2022

Cash flows from operating activities	
Change in net assets from operations	\$ (79,684)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	14,408
Changes in assets and liabilities which provided (used) cash:	
Grants receivable	(2,314)
Other receivable	(25,829)
Accounts payable	(20,606)
Accrued wages, payroll taxes and deductions	8,995
Accrued compensated absences	(5,654)
Net cash provided by (used in) operating activities	<u>(110,684)</u>
Cash flows from financing activities	
Repayment of long-term debt	<u>(54,164)</u>
Cash flows from investing activities	
Interest on deposits	<u>135</u>
Net increase (decrease) in cash and cash equivalents	(164,713)
Cash and cash equivalents - beginning of year	<u>339,576</u>
Cash and cash equivalents - end of year	<u><u>\$ 174,863</u></u>
Supplemental disclosure of cash flows information:	
Cash paid for interest	<u><u>\$ 8,900</u></u>

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

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Note 1 – Mission and Summary of Significant Accounting Policies

Mission

Hope Shores Alliance, (the “Organization”), is a Michigan nonprofit corporation, is a community supported human service organization dedicated to assisting victims/survivors and their families in ending domestic and sexual violence and discrimination in their lives through education, systems change, building community partnerships and ensuring availability and accessibility of support services. *Hope Shores Alliance* is supported primarily through various governmental grants and donor contributions.

Basis of Accounting and Financial Statement Presentation

The accounting policies of *Hope Shores Alliance* conform to accounting principles generally accepted in the United States of America (U.S. GAAP). Following is a summary of the significant policies.

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP), and accordingly reflect all significant receivables, payables, and other liabilities. Under this method, revenues are recognized when earned and expenses are recorded as incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and money market savings accounts with banks or other financial institutions. At times, such deposits may exceed the FDIC insured limits.

Investments

Investments are reported at fair value and consist of certificates of deposit with an original maturity in excess of 90 days.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with grantor agencies with outstanding balances and current relationships with them, they have concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment and Depreciation

Land, buildings, leasehold improvements and furniture and fixtures are stated at cost and are being depreciated over their estimated useful lives, which range from 5 to 39 years, using the straight-line method of depreciation. It is *Hope Shores Alliance’s* policy to capitalize such assets costing \$5,000 or more. Management annually reviews these assets to determine whether carrying values have been impaired.

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Facilities, Services and Materials

Hope Shores Alliance occupies four duplexes in Oscoda, Michigan under a conditional lease agreement with Oscoda Charter Township. ***Hope Shores Alliance*** is not required to pay any rent for the duplexes under the agreement. The approximate fair value of the annual rent provided during the year was \$108,156, which is included in support and revenue and expense in the Statement of Activities.

Hope Shores Alliance received donated services from a variety of unpaid volunteers during the year. A dollar valuation of their efforts is not reflected in the financial statements since such services do not meet the criteria for recognition.

Hope Shores Alliance received donated materials, such as food, clothing and furniture that meet recognition requirements during the year. ***Hope Shores Alliance*** recognized \$112,850 as the estimated value of these materials in the accompanying financial statements, with a like amount included as other program expenses. ***Hope Shores Alliance*** recognizes these donated materials as contributions based upon their estimated fair value on the date received.

Revenue Recognition

Grant proceeds are received by ***Hope Shores Alliance*** for specific programs and are earned and reported as revenue when the related expenses are incurred. Sales proceeds are received by ***Hope Shores Alliance*** for various items sold in its thrift store and is earned and reported as unrestricted revenue at the point of sale.

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Functional Allocation of Expenses

The costs of providing various programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses include salaries, payroll taxes, other expenses, repairs and maintenance, supplies donated materials, membership dues, utilities and depreciation. All other expenses are directly charged.

Income Taxes

Hope Shores Alliance is a not-for-profit organization, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from similar State and Local taxes.

Uncertainty for Income Taxes

In July 2006, the FASB issued a standard related to *Accounting for Uncertainty in Income Taxes*, now codified as ASC Topic 740. ASC Topic 740 seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. Not-for-profit organizations are also within the scope of ASC Topic 740. An organization must consider whether it has engaged in activities that jeopardize their current tax-exempt status with the Internal Revenue Service. Furthermore, the Organization must determine whether it has any unrelated business income, which may be subject to US Federal Income Tax. The Organization adopted the provisions of ASC Topic 740 effective October 1, 2009, and, accordingly, analyzed its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Organization has also elected to retain its existing accounting policy with respect to the treatment of interest and penalties attributable to income taxes, and continues to reflect any changes for such, to the extent they arise, as a component of its operating expenses.

The Organization has evaluated the provision of ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. The evaluation was performed for the years 2018 through 2021, the years which remain subject to examination by major tax jurisdiction at year-end. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly increase or decrease in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at year-end, and it is not aware of any claims for such amounts by Federal or State income tax authorities.

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Uses of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Concentrations

Federal and State grant funding sources accounted for approximately 73% of *Hope Shores Alliance's* support and revenue, including revenue from donated facilities and materials, during the year. If a significant reduction in the level of this support were to occur, *Hope Shores Alliance's* programs and activities may be affected.

Comparative Financial Information

The Statement of Functional Expenses includes prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the *Hope Shores Alliance* financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Fair Value Measurements

As defined in authoritative guidance, 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. In determining fair value, *Hope Shores Alliance* uses various methods including market, income and costs approaches. Based on these approaches, *Hope Shores Alliance* often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions that market participants would use in pricing the asset or liability, including assumptions about risk or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally observable inputs. *Hope Shores Alliance* utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, *Hope Shores Alliance* is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and Federal agency securities and Federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Level 2 – Valuations for assets and liabilities traded in less than active dealer broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities and from model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions, at least one of which is not observable in the market and projections in determining the fair value assigned to such assets or liabilities.

Subsequent Events

In preparing these financial statements, management has evaluated for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2022, the most recent statement of financial position presented herein, through the date these financial statements were available to be issued; February 6, 2023. No significant events or transactions were identified.

Note 2 – Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 174,863
Grants receivable	136,687
Other receivables	<u>25,769</u>
Total	<u>\$ 337,319</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3 – Long-Term Debt

Long-term debt activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Thrift store loan	\$ 151,699	\$ -	\$ (16,251)	\$ 135,448	\$ 17,138
PPP loan	<u>139,457</u>	<u>-</u>	<u>(37,913)</u>	<u>101,544</u>	<u>38,291</u>
Total	<u>\$ 291,156</u>	<u>\$ -</u>	<u>\$ (54,164)</u>	<u>\$ 236,992</u>	<u>\$ 55,429</u>

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

In July 2019, *Hope Shores Alliance* entered into a loan agreement with interest at 5.25% and scheduled maturities through June 2029 for the purpose of refinancing a loan that was used to acquire and renovate a building in Rogers City, MI to be operated as a thrift store. *Hope Shores Alliance's* Rogers City thrift store is pledged as a lien on the loan.

In May 2020, *Hope Shores Alliance* entered into a Paycheck Protection Program (PPP) loan agreement with interest at 1.00% and scheduled maturities through May 2029 for the purpose of providing operational assistance offered through the CARES Act. During the year, *Hope Shores Alliance* made scheduled principal payments on the loan of \$37,913.

Hope Shores Alliance's annual debt service requirements to maturity for the loan agreements are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 55,429	\$ 7,634
2024	56,732	6,331
2025	43,635	4,962
2026	20,097	3,835
2027	21,193	2,738
2028-2029	<u>39,906</u>	<u>1,973</u>
Total	<u>\$ 236,992</u>	<u>\$ 27,473</u>

Note 4 – Operating Leases

Hope Shores Alliance rents space for its administrative and programmatic office space in Alpena, MI under a lease agreement that was ratified through January 1, 2023. The agreement has met the criteria and is properly recorded as an operating lease. The total amount recorded as rental expense under the lease was \$51,750 during the year. Future minimum lease payments under the operating lease are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2023	<u>\$ 12,938</u>

Hope Shores Alliance

Notes to Financial Statements

For the Year Ended September 30, 2022

Hope Shores Alliance also rents space for other programmatic office space in Atlanta, MI under a lease agreement that was ratified through September 30, 2020. The agreement has met the criteria and is properly recorded as an operating lease. The total amount recorded as rental expense under the lease was \$3,720 during the year. The lease terminated as of September 30, 2020 and was not renegotiated as of September 30, 2022 however, the Organization continues to occupy the office space and pays the monthly rent amount that was stipulated in the expired agreement. Management anticipates that an agreement will be reached, and the office space will continue to be rented under new terms. Future minimum lease payments under any renegotiated operating lease cannot be readily determined as of year-end.

Note 5 – Community Foundation Assets

In a prior year, *Hope Shores Alliance* deposited assets (cash) with the Community Foundation of Northeast Michigan to establish an endowment fund. The terms of the agreement with the Community Foundation provide for a portion of the endowment principal balance to be made available to *Hope Shores Alliance* to be used for operations and the remaining balance to remain on deposit with the Community Foundation. The Community Foundation retains variance power over these deposits therefore, they are not reported as assets of *Hope Shores Alliance*. At year-end, the Community Foundation reportedly held approximately \$45,000 in the name of *Hope Shores Alliance*.



Hope Shores Alliance

Schedule of Support and Revenue, Expenses and Net Assets

For the Year Ended September 30, 2022

(with comparative total amounts for the year ended September 30, 2021)

	Program / Supporting Services		
	Domestic Violence	Sexual Assault	Supportive Housing <i>(Excluding Safe House)</i>
Support and revenue			
Governmental agencies:			
Federal financial assistance	\$ 677,222	\$ 299,203	\$ 262,715
State and local agencies	112,540	39,092	-
Besser Foundation	27,000	-	-
United Way	11,822	-	-
First Congregational United Church of Christ	5,000	-	-
Cash contributions	63,355	1,627	3,199
Fundraising	11,200	-	-
Donated facilities	27,852	-	80,304
Donated materials	112,850	-	-
Thrift store sales	-	-	-
Interest revenue	64	-	-
Other revenue - forgiveness of PPP loan	-	-	-
Total support and revenue	\$ 1,048,905	\$ 339,922	\$ 346,218
Expenses	\$ 940,905	\$ 340,116	\$ 383,592
Change in net assets			
Net assets - beginning of year			
Net assets - end of year			

Non-Program Supportive Services		Total	
Management and General	Thrift Store Operations	2022	2021
\$ -	\$ -	\$ 1,239,140	\$ 1,318,613
-	-	151,632	99,719
-	-	27,000	36,000
-	-	11,822	13,767
-	-	5,000	4,000
1,019	5,572	74,772	67,402
36,573	-	47,773	12,763
-	-	108,156	100,740
-	-	112,850	24,978
-	138,234	138,234	107,867
68	3	135	345
-	-	-	27,063
<u>\$ 37,660</u>	<u>\$ 143,809</u>	1,916,514	1,813,257
<u>\$ 152,943</u>	<u>\$ 178,507</u>	1,996,063	1,933,433
		(79,549)	(120,176)
		538,751	658,927
		<u>\$ 459,202</u>	<u>\$ 538,751</u>



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

A VETERAN OWNED BUSINESS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Hope Shores Alliance
Alpena, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Hope Shores Alliance* (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Hope Shores Alliance's* financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith + Klayhewicz PC

Saginaw, Michigan

February 6, 2023



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

THOMAS J. SMITH, CPA
(989) 751-1167

ROBERT R. KLACZKIEWICZ, CPA
(989) 751-3064

A VETERAN OWNED BUSINESS

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

To the Board of Directors
Hope Shores Alliance
Alpena, MI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited *Hope Shores Alliance'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 *Hope Shores Alliance's* major federal programs for the year ended September 30, 2022. *Hope Shores Alliance's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, *Hope Shores Alliance* 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 September 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 *Hope Shores Alliance* 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 *Hope Shores Alliance'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 *Hope Shores Alliance'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 ***Hope Shores Alliance'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 ***Hope Shores Alliance'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 ***Hope Shores Alliance'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 ***Hope Shores Alliance'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 ***Hope Shores Alliance'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

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Smith + Klaehwi PC

Saginaw, Michigan

February 6, 2023

Hope Shores Alliance

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2022

Federal Agency / Pass Through Agency / Program Title	Federal Assistance Listing Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Amount Expended
Department of Housing and Urban Development				
Passed through Michigan Department of Health and Human Services				
Emergency Solutions Grant Program - CARES Act	14.231	E20214215	\$ 14,639	\$ 14,639
Department of Justice				
Passed through Michigan Department of Community Health				
Crime Victim Assistance (VOCA)	16.575	E20223177	336,272	336,272
Crime Victim Assistance (VOCA-SA)	16.575	E20222341	266,463	266,463
Crime Victim Assistance (TSHV)	16.575	E20221329	62,569	62,569
Sub-total				665,304
Passed through Michigan Department of Health and Human Services				
STOP Violence Against Women	16.588	E20221169	79,408	79,408
Passed through Women's Resource Center of Northern Michigan				
Rural Domestic and Dating Violence, Sexual Assault, Stalking and Child Abuse Enforcement Grants	16.589	2017-WR-AX-0044	562,790	117,306
Direct Programs				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2015-WH-AX-0003	765,243	58,531
Total Department of Justice				920,549
Department of Health and Human Services				
Passed through Michigan Department of Health and Human Services				
Temporary Assistance for Needy Families	93.558	E20223506	87,209	50,949
Temporary Assistance for Needy Families	93.558	E20223630	45,507	8,755
Temporary Assistance for Needy Families	93.558	E20222335	181,115	141,615
Temporary Assistance for Needy Families	93.558	E20220943	71,832	32,740
Sub-total				234,059
Family Violence Prevention Services	93.671	E20223506	-	(28)
Family Violence Prevention Services	93.671	E20223192	42,038	42,038
Family Violence Prevention Services - CARES Act	93.671	E20214216	22,030	22,030
Family Violence Prevention Services - CARES Act	93.671	E20225178	5,853	5,853
Sub-total				69,893
Total Department of Health and Human Services				303,952
Total expenditures of federal awards				\$ 1,239,140
Reconciliation to Statement of Activities				
Federal revenue reported on the Statement of Activities				
Federal financial assistance				\$ 1,239,140

See accompanying notes to Schedule of Expenditures of Federal Awards

Hope Shores Alliance

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of **Hope Shores Alliance** under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of **Hope Shores Alliance**, it is not intended to and does not present the financial position, changes in net position or cash flows of **Hope Shores Alliance**.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Subrecipients

None of the federal expenditures presented in the Schedule were provided to subrecipients.

Note 4 - De Minimus Indirect Cost Rate

Hope Shores Alliance utilizes the 10% de minimus indirect cost rate for all federal programs.

Hope Shores Alliance

Schedule of Findings and Questioned Costs *(continued)*

For the Year Ended September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued			Unmodified
Internal control over financial reporting			
• Material weakness(es) identified:	_____ Yes	_____ X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses:	_____ Yes	_____ X	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Type of auditor's report issued on compliance for major program(s):			Unmodified
Internal control over major program(s)			
• Material weakness(es) identified:	_____ Yes	_____ X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses:	_____ Yes	_____ X	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516.(a)?	_____ Yes	_____ X	No

Identification of major program(s):

Federal Assistance Listing Number	Name of Federal Program(s) or Cluster(s)
16.575	Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B program: \$ 750,000

Auditee qualify as a low-risk auditee?	_____ X	Yes	_____	No
--	----------------	-----	-------	----

Hope Shores Alliance

Schedule of Findings and Questioned Costs *(concluded)*

For the Year Ended September 30, 2022

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings and Questioned Costs

None

Section IV - Prior Year Findings

None