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February 2, 2023

Board of Directors
New Hope Development Services, Inc.
725 Wall Street
Jeffersonville, IN 47130

We have reviewed the audit report of New Hope Development Services, Inc., which was opined upon by Rodefer Moss & Co, PLLC, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of New Hope Development Services, Inc. as of June 30, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 18 and 19. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 20.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

NEW HOPE DEVELOPMENT SERVICES, INC.

Financial Statements

June 30, 2019

NEW HOPE DEVELOPMENT SERVICES, INC.
Financial Statements
June 30, 2019

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information:	
Schedule of Expenditures of Federal Awards	12
Notes to Schedule of Expenditures of Federal Awards	13
Compliance Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by the Uniform Guidance	16
Schedule of Findings and Questioned Costs	18
Corrective Action Plan	20

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Independent Auditors' Report

To the Officers and Directors
New Hope Development Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of New Hope Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hope Development Services, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 information 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 March 27, 2020, on our consideration of New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'s internal control over financial reporting and compliance.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
March 27, 2020

NEW HOPE DEVELOPMENT SERVICES, INC.
Statement of Financial Position
June 30, 2019

ASSETS

Current Assets

Cash	\$ 19,713
Restricted cash	226,049
Grants receivable	180,911
Other current assets	<u>4,000</u>

Total current assets 430,673

Property and Equipment 885,787

Total assets \$ 1,316,460

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 397,253
Due to New Hope Services	81,777
Accrued expenses	<u>2,506</u>

Total current liabilities 481,536

Total liabilities 481,536

Net Assets

Without donor restrictions	53,361
With donor restrictions	<u>781,563</u>

Total net assets 834,924

Total liabilities and net assets \$ 1,316,460

NEW HOPE DEVELOPMENT SERVICES, INC.
Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Public support received directly:			
Contributions	\$ 25,000	\$ -	\$ 25,000
Total public support	25,000	-	25,000
Governmental Agencies' Support			
Grants	78,415	781,563	859,978
Total governmental agencies' support	78,415	781,563	859,978
Total support revenue	103,415	781,563	884,978
Expenses			
Program services	4,426	-	4,426
Supporting services:	45,628	-	45,628
Total expenses	50,054	-	50,054
Change in net assets	53,361	781,563	834,924
Net assets at the beginning of the year	-	-	-
Net assets at the end of the year	\$ 53,361	\$ 781,563	\$ 834,924

NEW HOPE DEVELOPMENT SERVICES, INC
Statement of Functional Expenses
Year Ended June 30, 2019

	Total Program Services	Total Supporting Services	Total Expenses
Salaries and Related Expenses			
Salaries and wages	\$ -	\$ 22,511	\$ 22,511
Employee benefits	-	3,369	3,369
Payroll taxes	-	1,642	1,642
	<u>-</u>	<u>27,522</u>	<u>27,522</u>
Operating Expenses			
Professional fees	4,426	-	4,426
Miscellaneous	-	13,123	13,123
Computer supplies	-	2,723	2,723
Insurance	-	2,250	2,250
Bank charges	-	10	10
	<u>4,426</u>	<u>18,106</u>	<u>22,532</u>
Total expenses	<u>\$ 4,426</u>	<u>\$ 45,628</u>	<u>\$ 50,054</u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 834,924
(Increase) decrease in:	
Grants receivable	(180,911)
Other current assets	(4,000)
Increase (decrease) in:	
Accounts payable	397,253
Related party accounts payable	81,777
Accrued expenses	<u>2,506</u>
Net cash from operating activities	<u>1,131,549</u>
Cash flows from investing activities:	
Property and equipment	<u>(885,787)</u>
Net cash from investing activities	<u>(885,787)</u>
Net change in cash and cash equivalents	245,762
Cash and restricted cash at beginning of year	<u>-</u>
Cash and restricted cash at end of year	<u>\$ 245,762</u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements
June 30, 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization - New Hope Development Services, Inc. (“the Organization”) was organized in March 2017 as an Indiana public benefit corporation for the purpose of foster, promote, develop and provide housing that is safe, decent and affordable to low-income and moderate-income individuals in Indiana.

Basis 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 of America (“GAAP”). The Accounting Standards Codification (“ASC”) as produced by the Financial Accounting Standards Board (“FASB”) is the primary source of authoritative GAAP for non-governmental entities.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operation and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. The Organization’s 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. 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. If assets are received and their restriction expires or is fulfilled in the same period, then the asset is classified as being without donor restriction for the period.

Use of Estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sources of Revenue - The Organization receives revenue from governmental agencies and direct contributions.

Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Should the Organization receive any gifts of long-lived assets such as land, buildings, equipment, such amounts would be reported as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. If explicit donor stipulations are absent about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2019.

Grants Receivable - Grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and deems all contract income and grants receivable to be fully collectible at year-end.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Restricted Cash - Restricted cash consists of cash required to be used or held for specific purposes, such as grant deliverables.

Cash Concentration Risk - The Organization maintains its cash with various financial institutions which, at times may exceed the amounts insured by the National Credit Union Administration of \$250,000 per financial institution. As of June 30, 2019, no balances exceeded the insurance limit.

Property and Equipment - Property and equipment are recorded at cost, or if donated, at fair market value at date of donation. Maintenance and repairs are charged to expense when incurred. Major expenditures, and those which substantially increase useful lives, are capitalized. Gain or loss on retirements or dispositions of assets is credited or charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

Once placed into service, the cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. For purposes of computing depreciation, the estimated useful lives are 24 to 40 years for buildings, 10 to 20 years for building improvements, 3 to 10 years for equipment and 5 to 10 years for vehicles. As of year-end, no property has been placed into service.

The Organization periodically reviews the carrying values of property and equipment for impairment whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable.

As of June 30, 2019, all of the property and equipment owned by the Organization was under construction and had not yet been placed into service.

Functional Allocation of Expenses - The Statement of Functional Expenses presents expenses by both natural and functional classification. Costs are allocated under the respective functional department based on a variety of factors, such as time analysis.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions and believes that it has none that are uncertain.

Recent Accounting Pronouncements - The FASB issued the following accounting standards, which will be effective in subsequent years: 1) ASU No. 2014-09, *Revenue from Contracts with Customers*, effective for fiscal years beginning after December 15, 2018; 2) ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, effective for years beginning after December 15, 2018; 3) ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for fiscal years beginning after December 15, 2018; 4) ASU No. 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2020; and 5) ASU No. 2016-13, *Financial Instruments- Credit Losses*, effective for fiscal years beginning after December 31, 2022. The Organization is evaluating the impact of these standards on future consolidated financial statements and have yet to determine the effect, if any, on its financial position and operations.

Date of Management's Review - The Organization has evaluated events and occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash	\$	19,713
Grants receivable		<u>15,391</u>
Total	\$	<u>35,104</u>

New Hope Development Services, Inc. is supported by contributions through various government grants and donors. Revenues from the government grants are on a cost reimbursement basis, most of which are considered donor-restricted for housing development purposes. At June 30, 2019 the Organization had \$19,713 cash available and \$15,391 in grants receivable to be used within one year of the Statement of Financial Position date to meet needs for general expenditures. Additionally, the Organization \$84,609 of unused operating grant awards from Indiana Housing and Community Development Authority CHDO grants for Aberdeen Phases VI and VII available to draw for general expenditures.

NOTE 3 - GRANTS AND FEES RECEIVABLE

At June 30, 2019, grants receivable from the Indiana Housing and Community Development Authority totaled \$180,911.

NOTE 4 - LONG TERM DEBT

At June 30, 2019, the Organization had \$500,000 available through an Indiana Housing and Community Development Authority convertible construction loan secured by real estate. The note bears a rate of 3% and has a conversion date of April 2021, with a maturity date of April 2036. As of June 30, 2019, the Organization had yet to draw from the loan.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization has a minority number of its board members and management in common with New Hope Services, Inc. As of June 30, 2019, \$81,777 was due to New Hope Services, Inc. from the Organization.

NOTE 6 - RETIREMENT PLAN

The Organization participates in New Hope Services, Inc.'s 401(k) plan (the "Plan"). The Plan is for employees who meet certain eligibility requirements as to age and length of service. The Organization may make a contribution at management's discretion. Total contributions payable to the 401(k) plan by the Organization for the years ended June 30, 2019, was \$679.

NOTE 7 - COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. The Organization's policy for vacation days does not allow unused vacation time to be carried to a future period. It is impractical for the Organization to estimate the amount of compensation for future absences relating to illness. In addition, sick days do not vest to the employee without an illness-related absence. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, subject to the passage of time, as of June 30, 2019 are as follows:

Donor/Purpose	Balance 6/30/2018	Grants with Donor Restrictions	Released from Restriction	Balance 6/30/2019
IHCDA Aberdeen Woods Phase VI	\$ -	\$ 781,563	\$ -	\$ 781,563
Total Net Assets With Donor Restrictions	<u>\$ -</u>	<u>\$ 781,563</u>	<u>\$ -</u>	<u>\$ 781,563</u>

NOTE 9 - CONCENTRATION OF RISK

Cash Concentration Risk

The Organization maintains its cash with a credit union and at times may exceed the amounts insured by the National Credit Union Administration of \$250,000.

Group Concentration Risk

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the Federal Government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangement to be terminated or the funds provided to be reduced if the unit of government does not appropriate adequate funds to maintain the current funding levels.

NOTE 10 - GOVERNMENTAL AGENCIES' SUPPORT

Governmental agencies' support consisted of the following:

Operational Grants:	
Indiana Housing and Community Development Authority	\$ 15,391
	<u>15,391</u>
Grants:	
Aberdeen Woods Phase VI	844,587
	<u>844,587</u>
Total Governmental Agencies' Support	<u>\$ 859,978</u>

NOTE 11 - REAL ESTATE - HOUSING

The Organization planned the development of Aberdeen Woods Phase VI for the construction 10 residential housing units in Clark County, Indiana. During the year ended June 30, 2019, construction and related development costs for Aberdeen Woods Phase VI totaled \$797,392. These construction in progress amounts are included as property and equipment in the financial statements.

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Financial Statements (Continued)

NOTE 11 - REAL ESTATE - HOUSING (Continued)

The Organization planned two additional projects during the year to provide affordable housing. Each project received a HOME grant from the Indiana Housing and Community Development Authority (IHCDA) but did not draw on the grant during the year.

Aberdeen Woods Phase VII received a \$666,000 grant from IHCDA on June 4, 2019 as well as a \$50,000 CHDO grant. Both grants were considered conditional as of year-end as construction had not yet started on the project, and the funds could be revoked if construction did not occur. Total costs incurred by the Organization at June 30, 2019 totaled \$103 and are included as property and equipment in the financial statements.

River's Edge received a \$1,500,000 grant from IHCDA on June 4, 2019. The grant was considered conditional as of year-end as construction had not yet started on the project, and the funds could be revoked if construction did not occur. Total costs incurred by the Organization at June 30, 2019 totaled \$10,800 and are included as property and equipment in the financial statements.

Additionally, as of June 30, 2019, the Organization incurred costs on four additional developments totaling \$77,492. All four projects received notification of funding awards subsequent to year end as described in Note 12 below. These development costs are included as property and equipment in the financial statements.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year-end, the Organization was awarded the following:

Grants:	
Highland Place	\$ 1,500,000
Highland Woods	1,074,000
Development Fund Loans:	
Highland Place	430,000
Federal low income housing tax credits:	
Olive Grove	1,200,000
Townhomes on Main	<u>860,000</u>
Total	<u>\$ 5,064,000</u>

Additionally, draws were made on the construction loan described in Note 4 for a total \$500,000. These funds were used toward the Aberdeen Woods Phase VI project. Aberdeen Woods VI was placed in service during October, 2019.

On March 11, 2020 the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans give management the tools necessary to guide the company through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on the Company, the outcome of which is not predictable with assurance, and it is possible that the Company could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, through a thorough evaluation of our tenants and our operating projections, management believes that any resulting financial impact should not materially affect the financial position of the Company as of June 30, 2019.

NEW HOPE DEVELOPMENT SERVICES, INC.
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Award Expended
Department of Housing and Urban Development		
Passed through from Indiana Housing and Community Development Authority:		
Home Investment Partnership Program	14.239	\$ 15,391
Home Investment Partnership Program	14.239	<u>844,587</u>
Total U.S. Department of Housing and Urban Development		<u>859,978</u>
Total Expenditures of Federal Awards		<u>\$ 859,978</u>

NEW HOPE DEVELOPMENT SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of New Hope Development Services, Inc. under programs of the federal government for the year ended June 30, 2019. 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 New Hope Development Services, Inc., it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

New Hope Development Services, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

- Certified Public Accountants
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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 Officers and Directors
New Hope Development Services, Inc.

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 New Hope Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hope Development Services, Inc.'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 New Hope Development Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the New Hope Development Services, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

New Hope Development Services, Inc.'s Response to Findings

New Hope Development Services, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Hope Development Services, Inc.'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 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.

Rodefer Moss & Co, PLLC

Rodefer Moss & Co, PLLC
New Albany, Indiana
March 27, 2020

- Certified Public Accountants
- Business Advisors

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Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance

To the Officers and Directors
New Hope Development Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited New Hope Development Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of New Hope Development Services, Inc.'s major federal programs for the year ended June 30, 2019. New Hope Development Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of New Hope Development Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Hope Development Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of New Hope Development Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, New Hope Development Services, Inc. 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, 2019.

Report on Internal Control Over Compliance

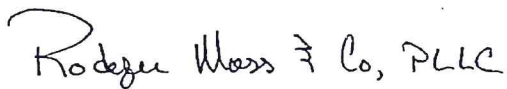
Management of New Hope Development Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered New Hope Development Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control

over compliance. Accordingly, we do not express an opinion on the effectiveness of New Hope Development Services, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in cursive script that reads "Rodefer Moss & Co, PLLC".

Rodefer Moss & Co, PLLC
New Albany, Indiana
March 27, 2020

NEW HOPE DEVELOPMENT SERVICES, INC
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section I - Summary of Auditors' Results

1. An unmodified opinion was issued on the audit of the financial statements of New Hope Development Services, Inc. for the year ended June 30, 2019.
2. Material weaknesses were identified relating to the audit of the financial statements of New Hope Development Services, Inc. as outlined below in Section II.
3. The audit did not disclose any noncompliance that is material to the financial statements of New Hope Development Services, Inc.
4. Material weaknesses in internal control over major programs were disclosed by the audit.
5. An unmodified opinion was issued on compliance for the major federal programs of New Hope Development Services, Inc. for the year ended June 30, 2019.
6. The audit disclosed findings required to be reported under 2CFR 200.516 (a) of the Uniform Guidance.
7. The program tested as a major program included HOME Investment Partnerships Program, CFDA 14.239.
8. The dollar threshold for distinguishing Type A and B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.
10. As this is the first year under audit, New Hope Development Services, Inc. does not have a summary schedule of prior year audit findings.
11. As findings 2019-001 and 2019-002 were noted, New Hope Development Services, Inc. has a corrective action plan.

Section II - Financial Statement Findings

2019-001 FINDING #1 Recordation of construction-related items at year-end

- Condition: The Organization did not accrue certain revenue and receivables earned and payables incurred during the year ending June 30, 2019 that were billed subsequent to year-end, nor did it capitalize the related construction costs.
- Criteria: The Organization is required to present its financial statements on the accrual basis of accounting, which is U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). The accrual basis of accounting recognizes revenues when earned and expenses when incurred.
- Effect: The financial statements were not presented in accordance with U.S. GAAP.
- Cause: Recordation of transactions were not reviewed in a timely manner to identify transactions occurring near year-end for proper cutoff and completeness as of June 30, 2019.
- Recommendation: The Organization should consider additional oversight and review throughout the year, particularly at year-end, to ensure all transactions are properly recorded.
- Response: See Corrective Action Plan

NEW HOPE DEVELOPMENT SERVICES, INC
Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Findings (Continued)

2019-002 FINDING #2 Construction related costs not properly capitalized

Condition: The Organization expensed initial preparation costs for construction projects that had not yet started as of year-end.

Criteria: According to U.S. GAAP, expenses should be recognized in the period in which the service is utilized . For capital assets, such costs should be capitalized and the expense recognized over the life of the asset through depreciation and amortization

Effect: Certain expenditures were not recorded in accordance with U.S. GAAP.

Cause: Certain financial transactions occurring within the Organization were not reviewed in a timely manner in accordance with U.S. GAAP.

Recommendation: The Organization should consider additional oversight and review throughout the year, particularly at year-end, to ensure all transactions are properly recorded.

Response: See Corrective Action Plan

Section III - Federal Award Findings and Questioned Costs

See Findings 2019-001 and 2019-002 under Section II - Financial Statement Findings

NEW HOPE DEVELOPMENT SERVICES, INC
Corrective Action Plan
For the Year Ended June 30, 2019

Finding 2019-001: Management's comments are as follows:

All balance sheet accounts will be assigned to a specific person within the Fiscal Department, which will be dependent upon their position. That person will be responsible for reconciling on a monthly basis those accounts for which they are responsible. The reconciliations will be submitted to the Business Manager for review. Business Manager will ensure the reconciliation agrees to the G/L account and all needed adjustments are posted. Both the employee and Supervisor will sign off on the worksheet. The CFO will review all major items as defined to be material on a monthly basis. This will be noted as a sign off on the reconciliation as well by the CFO.

Status: The Organization believes the finding has been adequately addressed provided the above additional procedures.

Finding 2019-002: Management's comments are as follows:

All income and expense accounts will be reviewed for reasonableness. Additionally, expenditures in excess of \$5,000 will be reviewed in detail to determine if there are any amounts that should be capitalized.

Status: The Organization believes the finding has been adequately addressed provided the above additional procedures.