

**THE HOME OF NEW BEGINNINGS, INC.**

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**GRANT AUDIT**  
**June 2021**

**OFFICE OF AUDITS AND INVESTIGATIONS**  
Prince George's County  
Upper Marlboro, Maryland

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# THE PRINCE GEORGE'S COUNTY GOVERNMENT

## Office of Audits and Investigations

June 2021

The County Council and County Executive  
of Prince George's County, Maryland

Council Resolution 51-1991, adopted June 25, 1991, requires the Office of Audits and Investigations to perform random financial audits of grants and transfer payments appropriated in the Non-Departmental section of the County's Approved Annual Current Expense Budget.

We have examined the books and records of

### **THE HOME OF NEW BEGINNINGS, INC.,**

for the period July 1, 2019, through June 30, 2020. Our examination included such tests of the accounting records and such other auditing procedures, as we considered necessary under the circumstances.

We noted several matters involving the Prince George's County grant to The Home of New Beginnings, Inc., that led us to question whether County grant funds were used for their intended purpose. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to The Home of New Beginnings at this time.

This report, in our opinion, fulfills the requirements of Council Resolution 51-1991 to perform random financial audits of grants and transfer payments made pursuant to the Non-Departmental section of the Prince George's County, Maryland, Fiscal Year 2020 Approved Operating Budget.

A handwritten signature in blue ink, appearing to read "D.H. Van Dyke".

David H. Van Dyke, CPA  
County Auditor

A handwritten signature in blue ink, appearing to read "Larry Whitehurst Jr.".

Larry Whitehurst Jr., CPA, MBA, CIA  
Audit Manager

### **Executive Summary**

The Home of New Beginnings (“THONB”) received a total of \$75,000 in grant funds from the Prince George’s County Government (the “County”) between November 2019 and June 2020. During our audit we noted several matters involving the grant funding provided to THONB that are cause for concern. Based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to THONB at this time. A summary of these issues is provided below, and further details can be found in the following report.

- THONB’s Board of Directors failed to provide adequate organizational oversight with respect to addressing the establishment of the organization’s policies and procedures, and the review of financial related issues.
- THONB failed to use grant funding according to proposed uses outlined in their approved grant application.
- THONB failed to maintain adequate documentation to support various expense transactions totaling \$14,822.
- THONB does not have an adequate accounting system in place to account for its grant related financial activity. The current process in place does not allow for the accurate production of basic financial reports such as bank reconciliations, statements of financial position, and statements of financial activities. The reports that were produced lack completeness.
- THONB failed to comply with Federal regulations by failing to issue and file 1099 forms in accordance with IRS guidelines for payments made to contractors in excess of \$600.

### **The Home of New Beginnings, Inc.**

THONB is incorporated as a 501(c)(3) nonprofit organization that was founded in 2017 with a mission to provide abused women and children with a safe environment that is free from violence and to encourage and support them as they establish a life of non-violence. To accomplish its mission, the founder transitioned her personal residential property, which is in the County, into a shelter to accommodate fourteen (14) women and children. According to their grant application, the shelter would be staffed by a project manager, house manager, house assistant/event staff director, and two (2) house assistants. Each prospective resident will be assessed and before being accepted into the shelter they must meet specific qualifications that are outlined below:

1. At least 18 years of age;
2. Fleeing a domestic violence situation that took place in the County;
3. Must not have an active drug addiction.

Once accepted into the shelter each resident can stay up to two (2) years while being offered various developmental programs in a classroom setting that are designed for them to succeed while transitioning back to private life. A brief summary of the programs and specific topics that will be offered are as follows:

- Life Skills- time management, self-care, cooking and baking, goal setting, public speaking, and sewing;
- Education- reading, writing, and math assessments;
- Basic Computer Skills- typing at least 50 words per minute;
- Resume Development and Interviewing Skills- build or reconstruct resume, salary negotiation, job search techniques, proper workplace attire;
- Microsoft Certification- offered certification classes;
- Financial Advice- budget development, manage spending, build and manage credit.

THONB has also partnered with the County's Family Justice Center, Sisters4Sisters, Inc., and Endless Dreams Foundation, Inc., to give residents access to their resources and to serve as a referral base for the organization. Some of the partnered linked resources were intended to include law enforcement assistance, providing emergency food, clothing and housing, educational programs that cater to K-12, and access to social workers. THONB had plans on accepting residents into their shelter after completing renovations, however THONB representatives stated that the current pandemic has hindered their ability to accept any residents into their shelter.

THONB is governed by a five (5) member Board of Directors who serve without compensation.

In FY 2020, the Prince George's County Council appropriated \$500,000 to support its Domestic Violence Grant Program. The grant program is a funding resource for programs that serve housing, mental health/counseling, or advocacy/legal services for County residents who are survivors of domestic violence. The program also supports workforce development activities

through a coordinated and collaborative community response to domestic violence in the County. County Council grants are awarded through a formal competitive application process.

The Community Partnership Grant is a grant initiative offered by the Office of the County Executive to qualified nonprofit organizations based upon a set of criteria, including the value added to the identified community, overall program costs, organizational stability and adequacy of other funding sources. The Community Partnership Grant is awarded through a formal application process.

The Prince George's County Government awarded THONB two (2) grants totaling \$75,000 in fiscal year 2020. These awards were issued on November 2019 and June of 2020, respectively. A summary of the grants awarded is as follows:

<b>Disbursement Date</b>	<b>Grant Type</b>	<b>Grant Award Amount</b>
11/18/2019-FY 2020	Domestic Violence	\$ 50,000
6/29/2020-FY 2020	Community Partnership	<u>25,000</u>
<b>Total Amount Awarded</b>		<b><u>\$ 75,000</u></b>

This grant funding was awarded to THONB to support its domestic violence shelter and associated program offerings.

### **OBJECTIVE, SCOPE AND METHODOLOGY**

The objectives of our audit were to: (a) assess the adequacy of the system of internal and management controls over grant funds received and expended; (b) assess whether grant related transactions occurred in a manner consistent with organization's grant request application and other generally accepted business practices; and (c) identify factors inhibiting satisfactory performance in these areas, and make recommendations to protect the County's interest concerning the grant funds.

The scope included all transactions related to the receipt and disbursement of the total grant funds received from July 2019 through June 2020 (a total of \$75,000).

The criteria used to evaluate the audit evidence gathered included:

- The grant applications submitted by THONB;
- The organization's By-Laws;
- The United States General Accountability Office Standards for Internal Control publication (GAO-14-704G);
- Maryland Nonprofit's Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector; and
- Internal Revenue Code "IRC"/Internal Revenue Service ("IRS") guidelines.

The audit included correspondence with key personnel of THONB and detailed tests including:

- An examination of the organization's monthly bank statements;
- A review of available grant receipts and expenditures documentation; and
- A review of available minutes for meetings held by the Board of Directors.

We examined the books and records maintained by THONB and included tests of the accounting records and other auditing procedures, as we determined necessary. Our examination included a review of expenditures and supporting documentation to ensure that payment amounts were properly approved and corresponded to related invoices. The results of our audit are outlined below:

## **FINDINGS, COMMENTS AND RECOMMENDATIONS**

### **Lack of Adequate Organizational Oversight**

THONB is a small organization that has its day-to-day operational and financial decisions made primarily by its Executive Director. With this structure in place, it is imperative that the organization have an active Board of Directors to ensure that organizational and financial decisions are made with adequate oversight and approval. During the audit a sample of expense transactions was selected for a review of invoices/receipts and approval documentation to support each transaction. The organization was able to provide invoices and receipts for some of the transactions. However, the organization was unable to provide documentation to support the approval of these transactions. Given the structure in place within the organization where the Executive Director is primarily responsible for the execution of financial transactions, it would be imperative that the Board of Directors play a major oversight role, which would include the review and approval of expense transactions.

According to documentation provided by the organization during the audit period the organization maintained a five (5) member Board of Directors. Initially, the chair of the board was the Executive Director's spouse. This arrangement presents a situation where one spouse could be in a position to oversee the financial and operational actions of another spouse, thus creating a conflict of interest scenario.

A review of board meeting minutes revealed vague notes in which no discussion of financial related information was communicated to the Board of Directors. Furthermore, there was no mention of any subsequent review or approval by the Board of Directors of specific financial transactions that were initiated by the Executive Director. The failure to communicate, discuss, and address these financial related topics during meetings with the Board left decisions in these areas to be made without any objective oversight.

Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector, the Maryland Association of Nonprofit Organizations dba Standards of Excellence Institute states the following:

*Finance and Operations, Section A.2 "The organization should periodically assess the organization's financial performance in relation to the budget. A nonprofit should create*

*and maintain reports on a timely basis that accurately reflect the financial activity of the organization.”*

*Leadership: Board, Staff and Volunteers: Guiding Principle “...An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization’s allocation of resources to effectively and efficiently fulfill its mission...Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors.”*

*Leadership: Board, Staff and Volunteers, Section A.5 Board Member Independence  
“...The board should have no fewer than five (5) independent and unrelated directors...”*

Maryland Nonprofits Board Excellence Governance Handbook, The Board’s Role in Legal and Ethical Oversight, Conflicts of Interest states:

*“Just as an individual nonprofit board member is responsible to avoid conflicts of interest, it is the responsibility of the full board to adopt a conflict of interest policy and ensure that it is followed...Through a conflict of interest policy, the board must take a deliberate effort to identify, mitigate, and resolve conflicting interests, a conflicts policy will make it less likely that board or staff members will intentionally or inadvertently violate their responsibilities...”*

Based on a review of THONB Board of Directors meeting minutes, it appears that the Board was more focused on the organization’s program activities rather than procedural and policy issues. Furthermore, the lack of an organizational policy and procedural manual that specifically outlined the duties of each individual further hindered the organization’s ability to have an environment where adequate oversight was conducted.

As a result, the organization’s financial activities were made without independent oversight from its Board of Directors. Furthermore, given the size and structure of THONB this lack of independent oversight left all financial activities vulnerable to be conducted without adequate controls. Some of the specific financial activities that were not adequately addressed or overseen due to a lack of Board of Directors involvement include the following:

- Review and approval of financial transactions;
- Review of all financial reports;
- Establishment of written policies and procedures for organizational activities; and
- Review of contractual agreements for prudence and organizational need.



**Prudent usage of Grant Funding**

THONB’s approved Domestic Violence (DV) and Community Partnership (CP) grant applications indicated that proposed grant funding would be utilized to support the following expenses outlined in the chart below.

<b>Proposed Usage of Grant Funding</b>		
<b>Expense Category</b>	<b>DV Grant Amount</b>	<b>CP Grant Amount</b>
Salaries & Wages	\$125,680	\$144,400
Insurance, Benefits, Other Related taxes	\$5,300	5,300
Travel	\$7,000	2,000
Equipment	\$500	500
Supplies	\$2,900	600
Printing & Copying	\$600	1,900
Telephone/Internet	\$3,600	600
Postage	\$200	200
Mortgage	\$17,000	17,000
Utilities	\$6,600	6,600
Other (Specify) Food	\$3,600	3,600
<b>Total Expenses</b>	<b>\$172,980</b>	<b>\$182,700</b>

A review of bank statement activity, and provided documentation/explanation revealed actual unrelated expenses incurred during FY 2020 were as follows:

- Checks totaling \$8,900 and \$2,000, written to cash and an individual, respectively (see Failure to Maintain Supporting Documentation finding later in the report for more details).
- Renovations/Improvements totaling \$28,112 made to an THONB representative’s residence that is a proposed site for THONB housing shelter. The details of these costs are as follows:
  - \$7,500 for home improvements such as painting, window and doorknob replacement;
  - \$2,000 for a computer equipment;
  - \$2,518 for a security system; and
  - \$16,094 for a sprinkler system.

THONB’s DV grant application did indicate that their current year funding (i.e. funding already received or anticipated to be received prior to the County grant award) of earned personal income and fundraising activities of \$102,470, and \$2,500, respectively, would be used as follows:

<b>Expense Category</b>	<b>Amount</b>
Salaries & Wages	\$149,760
Insurance, Benefits, Other Related taxes	\$5,300
Travel	\$8,300

Equipment	\$6,000
Supplies	\$2,900
Printing & Copying	\$600
Telephone/Internet	\$3,600
Renovations	\$50,000
Mortgage	\$17,000
Utilities	\$6,600
In-Kind Support	2,000
Other-Furnishings/Computer Room	\$17,100
<b>Total Expenses</b>	<b>\$269,160</b>

Unfortunately, THONB’s current year funding never materialized and as a result, County grant funding was utilized for expenditures that were not proposed in their approved grant application. Although there can be unforeseen circumstances that may require a change in the anticipated usage of grant funding, however, if these changes represented a significant modification in the proposed usage outlined in the grant agreement then this should have been communicated to County representatives. The grant award was disbursed on November, 18, 2019, and at that time, THONB representatives could have reasonably assumed that any anticipated funding outlined in their grant application was not going to come to fruition and would require a change in the grant’s proposed usage. The proposed change in usage could have changed the County’s decision to award the grant to THONB, especially since the decision was made based upon leveraging the grant award with anticipated funding from earned personal income and fundraising activities that was outlined in the grant application.

The DV grant award letter received by THONB representatives stated, “...This grant is provided to support the activities and services outlined in the Home of New Beginnings proposal. Please know that you are required to keep a detailed record of all grant activities and expenditures throughout the administration of the grant.”

The signed CP acceptance letter stated “Please note that our offer of this grant is subject to your agreement to:

1. Use the grants funds only as specified in the approved grant proposal.
2. Maintain your records to show and account for the uses of the grant funds.
3. Repay any portion of the funds not used for the specified purposes.
4. Comply with reasonable requests for information about program activities.
5. Agree to a scheduled site visit by the County.

Based upon a review of bank statement activity it was apparent that THONB did not secure all anticipated funding outlined in their grant application. As a result of not securing this anticipated funding, THONB representatives utilized County grant funding to cover expenses that were not proposed in their approved grant application.

### **Lack of Adequate Accounting of Grant Financial Activities**

At the start of audit fieldwork, a request was made to the organization to provide the Office of Audits and Investigations with the necessary financial reports (i.e. statement of activities, statement of financial position, bank reconciliations etc.) that would provide an accurate accounting of the grant-related financial transactions for the period under audit. After receiving an excel document containing their financial transactions, it became apparent that the organization lacked an adequate accounting system to account for its grant financial activity. A detailed evaluation of the excel document revealed the following:

- Several missing financial transactions when a comparison of the financial transactions in the presented excel document to bank statement activity was conducted;
- Improper treatment of fixed assets with respect to the capitalization, classification, and depreciation of these assets;
- The lack of completed bank reconciliations.

Any one of the above observed occurrences can result in the potential to produce financial statements that are unreliable. Sound accounting practices would suggest that there be a system in place that would support basic accounting functions such as bank reconciliations, the input of all financial transactions, and the production of detailed and summary financial reports. While a formal accounting system is not required to perform these functions, it would be the best solution given its inherent ability to perform these functionalities.

Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector, the Maryland Association of Nonprofit Organizations dba Standards of Excellence Institute states the following:

*“Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization’s financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems. A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.”*

Auditing standards define internal controls as a process designed to provide reasonable assurance that entity objectives will be achieved, including the objectives of reliable financial reporting, compliance with applicable laws, and the effectiveness and efficiency of the organization’s service delivery processes. The primary function of internal controls is to provide assurance that errors and irregularities may be discovered with reasonable promptness.

According to THONB By-laws, some of the duties of the Board Treasurer are to “Prepare or cause to be prepared, and certify, or cause to be certified, the financial statements to be included in any required reports.”

Based upon fieldwork conversations/interactions and an examination of the excel spreadsheet used to capture some financial transactions, we believe the organization lacked the expertise, knowledge, and adequate accounting system to facilitate the production of basic financial reports.

The lack of an adequate accounting system could create an environment where recordkeeping and financial reporting is vulnerable to gross inaccuracies. As a result of a lack of an adequate accounting system, we had to implement alternative audit procedures that consisted of an analysis of the organization’s bank statements, submitted supporting documentation, and inquiries of the organization’s representatives, to provide a representation of the organization’s financial activities to facilitate our audit procedures. The process of manually reviewing the organization’s financial documents was time consuming, and ultimately prolonged the audit process.

### **Failure to Maintain Adequate Supporting Documentation**

To determine whether THONB grant expenses were adequately supported with appropriate documentation (i.e. invoice, receipt, contract/agreement etc.) and aligned with its mission, we utilized the organization’s bank statements, for the period of December 2019 through June 2020, and selected a sample of thirty-one (31) transactions totaling approximately \$49,032. The results of our testing revealed sixteen (16) transactions totaling approximately \$14,822 lacked adequate supporting documentation. A summary of these transactions is illustrated in the table below.

<b>Expense Category<sup>1</sup></b>	<b>Amount</b>	<b># of Trans.</b>
Checks made to Cash	\$8,900	4
Check made to an individual	2,000	1
Vendor/Retail Purchases	2,451	5
Clothing Purchases	905	3
Contractor Payment	424	1
Food Purchases	142	2
<b>Total</b>	<b>\$14,822</b>	<b>16</b>

Additional information pertaining to each of the above unsupported expense categories is as follows:

- Checks made to Cash – Four (4) checks totaling \$8,900 were made payable to cash with no explanation or board approval provided. For two (2) of the checks totaling \$4,400, the description of mortgage and utilities was written in the memo section of the check. All of the checks appear to have the signature of the Executive Director or her husband. By-laws

<sup>1</sup> Due to limited documentation, A&I categorized each transaction based on the nature of the expenditure and input received from THONB bank statements.

documents submitted during the audit outline the duties of the Board Treasurer to be consistent with the oversight, disbursement and collection of documentation supporting the organization's expenditures. We were provided with an invoice for \$2,500 for renovation work completed on the proposed site of THONB housing shelter. This invoice's date corresponded with the date of one of the checks written to cash and it indicated that a cash payment was made, but it was unclear as to why the check wasn't written directly to the contracted individual.

- Check made to an individual – A check in the amount of \$2,000 was made payable to the husband of the Executive Director with no documentation presented to support the nature of this payment. The check was also signed by the husband of the Executive Director. Based upon documentation provided in 2017 the husband served as initial President of the Board of Directors and as resident agent for THONB. It was unclear as to his role with THONB in subsequent years.
- Vendor/Retail Purchases – There were five (5) payments totaling \$2,451 made to several vendors/retail establishments with no documentation provided to support the expenditure. The amount and bank statement description for these payments are as follows:
  - \$1,195 payment made to WSSC;
  - \$600 payment for a Government Contract;
  - \$231 purchase from Walmart;
  - \$137 purchase from CVS; and
  - \$288 payment to Koko Lux.
- Clothing Purchases – There were three (3) payments totaling \$905 made to several retail clothing establishments with no documentation (i.e. receipts) or explanation provided to support the expenditure. The amount and bank statement description for these payments are as follows:
  - \$524 purchase from Ballys;
  - \$248 purchase from Armani Exchange; and
  - \$133 purchase from Nieman Marcus.
- Contractor Payment – A check in the amount of \$424 was made payable to a vendor who previously provided computer related services for THONB. The description in the memo of the check stated labor, however there was no invoice provided to support the check payment amount.
- Food Purchases – There were two (2) payments totaling \$142 made to retail food establishments with no documentation (i.e. receipts) or explanation provided to support the expenditure. The amount and bank statement description for these payments are as follows:
  - \$94 purchase from Sobe Restaurant; and
  - \$48 purchase from Captain Peters.

In the publication on standards for internal controls (GAO-14-704G) (09/14) the Government Accountability Office (GAO) states the following in reference to appropriate documentation of transactions and internal control activities:

*“Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.”*

According to the presented THONB By-Laws, one of the duties of the Board Treasurer is to “Disburse or cause to be disbursed, the funds of the corporation as may be disbursed by the Board of Directors, taking proper vouchers for such disbursements.”

As mentioned previously, both grant award letters required THONB to maintain documentation to support all grant expenditures as a condition of the grant award.

Based on our correspondence with THONB representatives, we believe that the lack of documentation can be attributed to staff inexperience, a lack of expertise in the area of best accounting practices, and/or possible questionable expense transactions.

The failure to maintain adequate documentation to support grant transactions prevents an effective detailed review of these transactions, either from management at the time the transaction was initiated, or during a subsequent audit, ensuring that they were reasonable, accurate, and aligned with the organization’s mission/purpose. Additionally, without corresponding expense receipts, the cash withdrawals made by THONB’s representatives could be considered personal use and thereby subject to income tax by the IRS.

### **Non-Compliance with IRS Regulations**

According to the Internal Revenue Service (IRS), a form 1099-MISC must be completed for any individual or non-incorporated entity that receives income totaling \$600 or more for services performed by a non-employee in the course of business during the calendar year. The organization making payment must submit this form to the IRS and provide a copy to the payee. A&I requested a form 1099-MISC for all individuals that were paid \$600 or more during calendar year 2019; however, according to the THONB Executive Director, there were no 1099s issued during this period. We reviewed bank statements from January 1, 2019 through December 31, 2019 and determined payments totaling \$600 or more were made by THONB in exchange for services rendered. A summary of CY 2019 payments made by THONB are presented in the table below:

<b>Recipient</b>	<b>Work/Service Performed</b>	<b># of Payments Made</b>	<b>Total Amount Paid</b>
Individual	Consultant Services	2	\$ 1,300
Individual	Home Improvement	1	5,000

Limited Liability Company	Security System Install	2	4,018
<b>TOTAL</b>		<b>5</b>	<b>\$ 10,318</b>

The IRS website states the following in its General Instructions for Certain Information Returns:

*“File Form 1099-MISC, Miscellaneous Income, for each person in the course of your business to whom you have paid during the year...Services performed by someone who is not your employee (including parts and materials), box 7...”*

Based on fieldwork interactions with THONB representatives, they seemed to be unaware of the IRS regulations. Failure to submit required forms to the IRS could subject the organization to late filing penalties of \$260 per return, or \$530 per return for intentional disregard.

**RECOMMENDATIONS:**

As mentioned previously, based upon the extent of the findings outlined in this report, we recommend the discontinuance of County grant funding to THONB at this time. Furthermore, we recommend that the Prince George’s County Council direct the County’s Office of Law take the necessary legal steps to retrieve any remaining grant funds from THONB. If grant funds are to be awarded to THONB in the future, the following recommendations should be implemented:

1. **We recommend that the THONB Board of Directors conduct Board meetings where both the programmatic and financial needs of the organization are addressed. The discussions conducted during these Board meetings should be well documented and kept on file to be made available upon request. Some of the specific financial needs of the organization that should be immediately addressed during these meetings would include the following:**
  - **An assessment of the overall financial state of the organization through the review of relevant financial reports on a periodic basis;**
  - **Establishment of adequate written policies and procedures to govern day to day operations. These policies and procedures should specifically address financial and accounting processes to include the review and approval of financial transactions, accurate recording and categorization of expense transactions, and the retention of documentation to support all transactions; and**
  - **Adoption of a conflict of interest policy and ensure that the policy addresses the Board of Directors responsibilities as they relate to business, spousal or family relationships with any individual in an upper management position within the organization.**
  
2. **We realize that anticipated funding sources sometimes fail to come to fruition and can result in a reevaluation of an organization’s spending priorities. However, when a change occurs and it causes a significant modification in what was outlined in the signed agreement (i.e. grant application), we would recommend that THONB**

**representatives notify the County of the modifications and seek subsequent approval for the modified usage of the grant award.**

- 3. We recommend that THONB educate themselves on the proper way to account for financial transactions or seek the expertise needed from other sources. The accounting for financial transactions should include the proper treatment of all financial transactions to aid in the preparation of accurate and complete financial reports such as bank reconciliations, statement of activities, and statement of financial position.**
- 4. We recommend that THONB implement a policy that requires the retention of adequate documentation (i.e. receipts, invoices, signed contracts/agreements), for at least three (3) years, to support any grant related transaction. Payment for all organizational expenses should be made by either check made payable to a vendor/individual or by a bank card linked to the organization's bank account. The practice of securing cash via checks made payable to cash or an individual should be discouraged or limited to emergency circumstances, as approved by the Board of Directors.**
- 5. We recommend that THONB conduct the necessary research to ensure compliance with all IRS reporting regulations that are applicable to 501(c)(3) nonprofit organizations.**

THONB operates and reports on a calendar year, however our examination was conducted on a fiscal year basis. For report purposes, the attached Statement of Activities, will be presented on a calendar year consistent with THONB operations. The Statement of Activities shows the financial activities of the organization for the periods ending December 31, 2019, and June 30, 2020. The statement was generated based upon a review and analysis of THONB's bank statements, submitted documentation along with audit fieldwork responses from THONB's Founder/Executive Director.



**THE HOME OF NEW BEGINNINGS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE PERIODS ENDING**  
**DECEMBER 31, 2019 AND JUNE 30, 2020**  
**(CASH BASIS-UNAUDITED)**

	<u>2019</u>	<u>*2020</u>
<b>REVENUES:</b>		
Grants	\$50,000	\$25,000
Miscellaneous Income	1,340	-
<b>Total Revenues</b>	<b>\$51,340</b>	<b>\$25,000</b>
<b>EXPENDITURES:</b>		
Bank Charges and Fees	\$108	\$231
Checks Made Payable to an Individual	-	2,000
Checks Made Payable to Cash	2,000	6,900
Clothing	982	27
Consultant	1,800	1,100
Contractor Payments	-	2,124
Food Purchases	126	48
Building Improvements**	5,000	2,500
Computer Equipment**	-	2,000
Security System**	2,518	-
Sprinkler System**	-	16,094
Vendor/Store Payments	1,177	1,999
<b>Total Expenditures</b>	<b>\$13,711</b>	<b>\$35,023</b>
<b>Excess Revenue Over/(Under) Expenditures</b>	<b>\$37,629</b>	<b>(\$10,023)</b>

\*Limited to revenues and expenditures for the period January 1, 2020 through June 30, 2020

\*\*Fixed Assets which should be expensed with an approved depreciated method