

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**

**POMPANO BEACH, FLORIDA**

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**INDEPENDENT AUDITORS'**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

**REPORT ON COMPLIANCE**

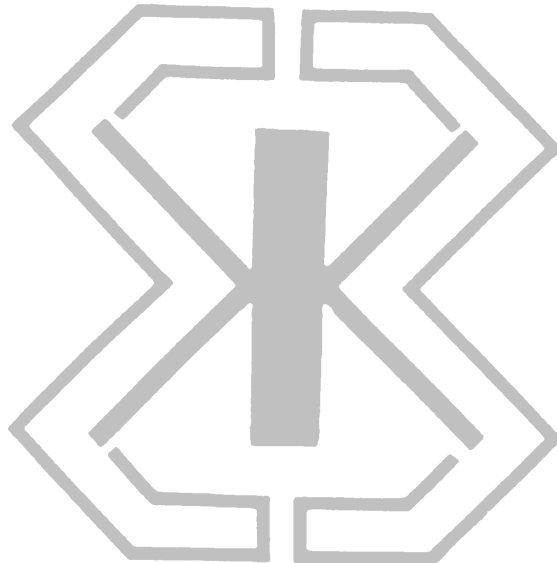
**And**

**ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Required by Government Auditing Standards**

**For The Years Ended December 31, 2011 and 2010**

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**W.B. Koon & Co.**  
**Certified Public Accountants**

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Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Hope Educational Foundation International, Inc.  
Pompano Beach, Florida

We have audited the accompanying statement of financial position of Hope Educational Foundation International, Inc. as of December 31, 2011 and 2010 and the related statements of activities and functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Hope Educational Foundation International, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Educational Foundation International, Inc. at December 31, 2011 and 2010 and changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2012, on our consideration of Hope Educational Foundation International, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of financial awards for the year ended December 31, 2011 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly presented in all material respect in relation to the basic financial statement taken as a whole.

*W. B. Koon & Co.*

North Miami Beach, Florida  
July 21, 2012

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31**

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<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>CURRENT ASSETS</b>		
Cash	\$17,265	\$40,937
Receivable: Grants	1,512	18,093
Others	24,011	-
Prepaid expenses	<u>2,654</u>	<u>6,478</u>
 Total Current Assets	 <u>45,442</u>	 <u>65,508</u>
 Website	 10,194	 10,194
Office furniture & equipment	3,050	3,050
Computer	11,337	11,337
Less accumulated depreciation	<u>(16,199)</u>	<u>(12,202)</u>
	<u>8,382</u>	<u>12,379</u>
 Investment - China	 1,960	 -
Security deposit	<u>680</u>	<u>680</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$56,464</u></b>	 <b><u>\$78,567</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$17,750	\$ 7,123
Accrued expenses	<u>18,667</u>	<u>12,927</u>
 <b>TOTAL LIABILITIES</b>	 <u>36,417</u>	 <u>20,050</u>
 <b>NET ASSETS</b>		
Temporarily restricted	10,040	-
Unrestricted	<u>10,007</u>	<u>58,517</u>
	<u>20,047</u>	<u>58,517</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$56,464</u></b>	 <b><u>\$78,567</u></b>

**READ ACCOMPANYING NOTES**

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2011

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	<b><u>Unre-</u></b> <b><u>stricted</u></b>	<b><u>Tempo-</u></b> <b><u>rarily</u></b>	<b><u>Total</u></b>
<b>CHANGES IN NET ASSETS</b>			
<b>SUPPORT AND REVENUE:</b>			
U.S. Department of Health and Human Services	\$1,249,338	\$	\$1,249,338
Foundations Grants	<b>45,960</b>	<b>10,040</b>	<b>56,000</b>
Donations	59,625		59,625
Interest	20		20
Other Income	<u>28,552</u>	<u>          </u>	<u>28,552</u>
Total Support and Revenue	<u>1,383,495</u>	<u>10,040</u>	<u>1,393,535</u>
<b>EXPENSES:</b>			
Program expenses			
HIV	1,249,338		1,249,338
De-Worming	<u>84,195</u>		<u>84,195</u>
Total program expenses	<u>1,333,533</u>	<u>-</u>	<u>1,333,533</u>
Management and General	<u>98,472</u>	<u>-</u>	<u>98,472</u>
Total expenses	<u>1,432,005</u>	<u>-</u>	<u>1,432,005</u>
(Decrease) Increase in net assets	(48,510)	10,040	(38,470)
NET ASSETS, BEGINNING OF YEAR	<u>58,517</u>	<u>-</u>	<u>58,517</u>
NET ASSETS, END OF YEAR	<u>\$10,007</u>	<u>\$10,040</u>	<u>\$20,047</u>

**READ ACCOMPANYING NOTES**

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2011**

	<b><u>HIV Prevention and Education</u></b>				<b>Management And General</b>	<b><u>Total</u></b>
	<b><u>I Matter</u></b>	<b><u>Family Matter</u></b>	<b><u>Tertiary</u></b>	<b><u>De- Worming</u></b>		
<b>FUNCTIONAL EXPENSES:</b>						
Salaries and related expenses	\$ 76,549	\$6,940	\$32,825	\$ 7,959	\$45,932	\$170,205
Taxes and benefits	10,429	1,524	3,736	819	3,129	19,637
Production and distribution	79,747	-	-	214	-	79,961
Professional fees	9,939	-	3,680	43,906	5,000	62,525
Sub-grantee	487,550	109,066	370,873	-	-	967,489
Operating expenses	1,728	-	2,270	3,717	5,090	12,804
Interpretation and translation	-	-	-	6,709	-	6,709
Travel	19,723	882	19,176	19,201	3,988	62,970
Office expenses	4,824	-	-	-	14,263	19,087
Rent	4,333	-	1,585	-	2,429	8,347
Program development	1,960	-	-	1,670	14,644	18,274
Amortization and depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,997</u>	<u>3,997</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$696,781</u></b>	<b><u>\$118,412</u></b>	<b><u>\$434,145</u></b>	<b><u>\$84,195</u></b>	<b><u>\$98,472</u></b>	<b><u>\$1,432,005</u></b>

**READ ACCOMPANYING NOTES**

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**

**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2010

	<u>Unre-</u> <u>stricted</u>	<u>Tempo-</u> <u>rarily</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS</b>			
<b>SUPPORT AND REVENUE:</b>			
U.S. Department of Health and Human Services	\$749,015	\$	\$749,015
Reach The Children Foundation	40,100		40,100
In Kind services	7,326		7,326
Interest	50		50
Other Income	<u>2,027</u>	_____	<u>2,027</u>
Total Support and Revenue	<u>798,518</u>	_____	<u>798,518</u>
<b>EXPENSES:</b>			
Program expenses	750,126		750,126
Management and General	<u>105,997</u>	_____	<u>105,997</u>
Total expenses	<u>856,123</u>		<u>856,123</u>
Decrease in net assets	(57,605)		(57,605)
NET ASSETS, BEGINNING OF YEAR	<u>116,122</u>	- _____	<u>116,122</u>
NET ASSETS, END OF YEAR	<u>\$58,517</u>	\$ _____	<u>\$58,517</u>

**READ ACCOMPANYING NOTES**

**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended December 31, 2010**

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	<b>HIV</b>			<b>Management And General</b>	<b>Total</b>
	<b>Prevention And Education</b>	<b>FM</b>	<b>TERR</b>	<b>General</b>	<b>Total</b>
<b>FUNCTIONAL EXPENSES:</b>					
Salaries and related expenses	\$ 91,258	\$1,494	\$1,745	\$36,936	\$131,433
Production expense	97,007	-	-	-	97,007
Professional fees	32,932		-	18,928	51,860
Sub-grantee	470,299	21,100	-	-	491,399
Operating expenses	3,907	-	-	2,058	5,965
Travel	18,521	52	-	3,619	22,192
Office expenses	7,198	-	-	15,228	22,192
Rent	4,080	-	-	4,087	8,167
Program development	533	-	-	20,828	21,361
Amortization and depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,313</u>	<u>4,313</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$725,735</u></b>	<b><u>\$22,646</u></b>	<b><u>\$1,745</u></b>	<b><u>\$105,997</u></b>	<b><u>\$856,123</u></b>

**READ ACCOMPANYING NOTES**



**HOPE EDUCATIONAL FOUNDATION INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended December 31**

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	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
<b>Changes in net assets</b>	\$( <u>38,470</u> )	\$( <u>57,605</u> )
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Amortization and depreciation	3,997	4,313
Decrease (increase) in Grants receivable	16,581	(17,297)
Decrease (increase) in Other receivable	(24,011)	-
Decrease (increase) in prepaid expenses	3,824	( 1,829)
(Decrease) increase in accounts payable	10,627	( 5,717)
Increase in accrued expenses	<u>5,740</u>	<u>4,137</u>
<b>Total adjustments</b>	<u>16,758</u>	<u>(16,393)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(21,712)</u>	<u>(73,998)</u>
Cash Flows Used In Investing Activities		
Investment - China	(1,960)	-
Assets acquisition	<u>-</u>	<u>(3,516)</u>
<b>Cash Flows Used In Investing Activities</b>	<u>(1,960)</u>	<u>(3,516)</u>
<b>Cash Flows From Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Net (Decrease) Increase in Cash</b>	<u>(23,672)</u>	<u>(77,514)</u>
<b>Cash, Beginning of Year</b>	<u>40,937</u>	<u>118,451</u>
<b>Cash, End of Year</b>	<u>\$17,265</u>	<u>\$40,937</u>

**READ ACCOMPANYING NOTES**

## NOTES TO FINANCIAL STATEMENTS

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### 1. OPERATIONS

Hope Educational Foundation International, Inc. (HEF), a Florida corporation not for profit, was incorporated January 15, 2004. The general purpose for which HEF was organized is exclusively charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986. HEF exists to prevent the most devastating systemic threats to children and youth around the world, through research, education, and resources.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Financial Accounting Standards (SFAS) No 117, **Financial Statements of Not-For-Profit Organizations** requires the information regarding financial position and activities be reported by the three classes of net assets

**Unrestricted Net Assets** are those currently available for use of HEF's board, and the resources invested in fixed assets. These assets are accounted for internally in the general operating fund.

**Temporarily Restricted Net Assets** are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** are those contributed with donor stipulations that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

#### Support and Expenses

Under SFAS No.116, **Accounting for Contribution Received and Contributions Made**, grants and donor restricted contribution are reported as unrestricted support if the grant objectives or donor restriction are met in the same reporting period .

Hope Educational Foundation International, Inc.'s, grants and donor restricted contribution are reported as unrestricted support if the grant objectives or donor restrictions are met in the same reporting period.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Hope Educational Foundation International, Inc. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Expenses are recorded when incurred in accordance with accrual basis of accounting.

## NOTES TO FINANCIAL STATEMENTS

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

#### Accrual Basis

The financial statements of Hope Educational Foundation International, Inc. have been prepared on the accrual basis of accounting.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year-end and throughout the year, the organization's cash balance was deposited in one bank. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents.

#### Grant Revenue

Grant revenue relates to the HIV prevention education grant and the Deworming grant, and is specifically for program service costs, and are reported as unrestricted support when the grant objectives have been met.

#### Property and Equipment

Property and equipment represents HEF's net equity in fixed assets. Assets are stated at cost at date of purchase or at estimated fair market value at time of donation. Depreciation is provided on a straight-line basis over the estimated useful life of the assets. Assets are capitalized when the cost exceeds \$1,000.

HEF's investment in developing a website is being amortized over the estimated useful life of the assets, five (5) years.

Maintenance expenses are charged to expense as incurred.

#### Income Taxes

HEF is exempt from Federal Income taxes, under Section 501(c)(3) of the Internal Revenue Code.

### 3. **HEF PROGRAMS**

In September 2008, HEF was awarded a grant from the Department of Health and Human Services (HHS) titled: LONG TERM CAPACITY FOR HIV PREVENTION EDUCATION TO YOUTH, to provide HIV education in five provinces of South Africa.

The award document stated that the grant is renewable for five (5), one (1) year terms. The grant is to be funded at one million dollars (\$1,000,000) per year for each of the five years. The second year award was amended to \$679,634, and the third year to \$ 879,634.

To achieve the objectives of the program HEF entered into a sub-award agreement, authorized under USAID South African APS 674-08-003, with Reaching a Generation (RaG), a South African Section 21 not-for-profit corporation.

## NOTES TO FINANCIAL STATEMENTS

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### 3 . **HEF PROGRAM** (cont)

HEF was also awarded a grant , from One Hope, Inc., in the amount of \$44,000, to facilitate the de-worming of children in the Central African Republic.

### 4 . **INVESTMENT - CHINA**

During the year HEF entered into an agreement to purchase a “company” in China. Up-front costs of \$1,960 have been incurred and are included in the accompanying balance sheet as “Investment - China”.

HEF received a \$12,000 grant from One Hope, Inc. to acquire the company. The “Temporarily Restricted “ Net assets (\$10,040) relates to this grant.

**Supplemental Schedule of Financial Awards  
Year ended December 31, 2011**

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	<u>CFDA/ Grant Number</u>	<u>From</u>	<u>To</u>	<u>Award</u>	<u>Expenditure</u>
<b>Major Programs</b>					
<b>Department of Health and Human Services</b>					
. 1U2GPS001341-03	93.067	9/30/08	9/29/13	\$5,000,000	\$1,249,338

**Notes:**

- A. Second year award was amended from \$1,000,000 to \$679,634; and the third year award to \$879,634.
- B. Expenditures includes amounts for fixed assets
- C. The grant provides for HIV Prevention Education to Youth

# W. B. Koon & Co.

Certified Public Accountants



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## INDEPENDENT AUDITORS' REPORT REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Hope Educational Foundation International, Inc.  
Pompano Beach, Florida

We have audited the financial statements of Hope Educational Foundation International, Inc. as of and for the year ended December 31, 2011, and have issued our report thereon dated July 21, 2012. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Hope Educational Foundation International, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain laws, regulations, contracts, and grants, non compliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hope Educational Foundation International, Inc., internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Page 2**

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of Hope Educational Foundation International, Inc., and its Funding Agencies. However, this report is a matter of public records and its distribution is not limited.

*W. B. Koon & Co.*

Miami, Florida  
July 21, 2012

**W. B. Koon & Co.**  
Certified Public Accountants

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**REPORT ON COMPLIANCE AND INTERNAL CONTROL REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL AWARDS PROGRAM**

Board of Directors  
Hope Educational Foundation International, Inc..  
Pompano Beach, Florida

**Compliance**

We have audited the compliance of Hope Educational Foundation International, Inc. (HEF), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2011. Hope Educational Foundation International, Inc., major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of HEF's management. Our responsibility is to express an opinion on HEF compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 or state financial assistance projects occurred. An audit includes examining, on a test basis, evidence about HEF'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. Our audit does not provide a legal determination on HEF's compliance with those requirements.

In our opinion, Hope Educational Foundation International, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs projects for the year ended December 31,2011.



**Internal Control Over Compliance**

Hope Educational Foundation International, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HEF's internal control over compliance with requirements that could have a direct and material effect on a major federal program and state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of Hope Educational Foundation International, Inc., U. S. Department of Health and Human Services and other Funding Agencies. However, this report is a matter of public record and its distribution is not limited.



North Miami Beach, Florida  
July 21, 2012

**Schedule of Findings And Questioned Costs  
For The Year Ended December 31, 2011**

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**Section 1 - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: **UNQUALIFIED**

Internal control over financial reporting:  
Material weakness(es) identified?                   \_\_yes                   X no

Reportable condition(s) identified  
not, considered to be material weakness?                   \_\_yes                   X no

Noncompliance material to financial statements noted?                   \_\_yes                   X no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?                   \_\_yes                   X no

Reportable condition(s) identified  
not considered to be material weakness?                   \_\_yes                   X no

Type of auditors' report issued on compliance for  
major programs: **UNQUALIFIED**

Any audit findings disclosed that are required to be reported in  
accordance with Circular A-133, Section.510(a)?                   \_\_yes                   X no

Identification of Major programs:

<u>CFDA/Grant Number</u>	<u>Name of Federal/State Program or Cluster</u>
93.067	Department of Health and Human Services

Dollar threshold used to distinguish between Type A and Type B programs:                   \$ 500,000

Auditee qualified as low-risk auditee?                   X yes                   \_\_no

**Section 11 - FINANCIAL STATEMENT FINDINGS**

NO MATTERS WERE REPORTED

**Section 111 - FEDERAL/STATE AWARDS FINDINGS AND QUESTIONED COSTS**

NO MATTERS WERE REPORTED

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