

# **Hope College**

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**Federal Awards  
Supplemental Information  
June 30, 2011**

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10
Corrective Action Plan	11

## Independent Auditor's Report

To the Board of Trustees  
Hope College

We have audited the basic financial statements of Hope College (the "College") as of and for the year ended June 30, 2011 and have issued our report thereon dated November 28, 2011. Those basic financial statements are the responsibility of the management of Hope College. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Hope College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 28, 2011

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees  
Hope College

We have audited the financial statements of Hope College (the "College") as of and for the year ended June 30, 2011 and have issued our report thereon dated November 28, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Hope College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 College's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-I to be a material weakness.

To the Board of Trustees  
Hope College

### **Compliance and Other Matters**

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

Hope College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Hope College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the College, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

November 28, 2011

Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees  
Hope College

**Compliance**

We have audited the compliance of Hope College (the "College") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of Hope College are identified in the summary of auditor's 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 Hope College's management. Our responsibility is to express an opinion on Hope College's 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 occurred. An audit includes examining, on a test basis, evidence about Hope College'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 Hope College's compliance with those requirements.

In our opinion, Hope College complied, in all material respects, with the 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, 2011.

To the Board of Trustees  
Hope College

### **Internal Control Over Compliance**

The management of Hope College 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 Hope College's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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, 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 the College'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the College, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

January 30, 2012

# Hope College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Clusters:			
Student Financial Aid Cluster - U.S. Department of Education - Direct Programs:			
William D. Ford Direct Loan Program (2010 - 2011)	84.268		\$ 16,566,353
Federal Pell Grant Program	84.063	P063P090228	2,757,029
Federal Work-Study Program (excluding expenditures of \$82,773 paid from matching funds)	84.033	P033A092017	264,875
Federal Supplemental Educational Opportunity Grants Program (excluding expenditures of \$80,737 paid from matching funds)	84.007	P007A092017	242,212
Federal Perkins Loan Program (Note 3)	84.038	P038A042017	5,931,333
National Science and Mathematics Access to Retain Talent Grant Program	84.376	P376S090228	190,000
Academic Competitiveness Grant Program	84.375	P375A090228	214,882
Federal TEACH Grants	84.379		<u>338,589</u>
Total Student Financial Aid Cluster			26,505,273
Research and Development Cluster:			
National Science Foundation - Direct Programs:			
Mathematical and physical sciences	47.049	Various	650,977
Education and human resources	47.076	Various	701,746
Biological sciences	47.074	Various	169,399
ARRA - NSF Recovery Act Research Support	47.082	Various	<u>575,231</u>
Total National Science Foundation			2,097,353
U.S. Department of Health and Human Services - Direct Programs:			
Alternative Sample Designs for Genetic Association Studies Research	93.172	I R15 HG004543-01	38,724
ARRA - NIH Recovery Act Research Support	93.701		<u>6,977</u>
Total U.S. Department of Health and Human Services			45,701
National Aeronautics and Space Administration passed through the University of Michigan - Michigan Space Consortium			
	43.001	NGT5-40062	23,806
National Aeronautics and Space Administration - Direct Programs:			
Particle Acceleration & High Energy Plasma Magnetospheres	43.001	NNX09AQ71G	51,874
NRS/Research Opportunities in Space and Earth Sciences	43.001	NNX09AH69G	7,714
FERMI Guest Program	43.001	NNX10AQ41G	<u>21,744</u>
Total National Aeronautics and Space Administration			105,138
Homeland Security - Direct programs:			
Cathodoluminescent Signatures of Neutron Irradiation	97.077	2008-DN-077-ER008-02	40,421
The Effects of Lightweight Lining Materials for Reducing Blast Damage to Reinforced Aluminum Plates	97.069	06-G-019	<u>59,554</u>
Total Homeland Security			<u>99,975</u>
Total Research and Development Cluster			2,348,167

See Notes to Schedule of Expenditures  
of Federal Awards.

# Hope College

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Clusters (Continued):			
TRIO Cluster - Upward Bound - Direct Program (excluding expenditures of \$99,068 paid from matching funds)	84.047	P047A990606-02	\$ 380,349
Child Nutrition Cluster - Summer Food Service Program for Children passed through the Michigan Department of Education	10.559		15,544
Other federal awards - U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants passed through the City of Holland, Community Development Block Grant	14.218	B94MC260036	<u>6,000</u>
Total federal awards			<u>\$ 29,255,333</u>

# Hope College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

### Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Hope College under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Hope College, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Hope College. Pass-through entity identifying numbers are presented where available.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to a subrecipient as follows:

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
National Science Foundation - Mathematical and physical sciences - Georgia State University	47.049	\$ 48,078

### Note 3 - Loans Outstanding

As part of the Student Financial Assistance Cluster, the College participates in the Federal Perkins Loan Program through the U.S. Department of Education. The outstanding balances on these loans are disclosed in the schedule of expenditures of federal awards. The loans issued during the year totaled \$453,210. The new loans were financed from the collections of previous loans and interest income. There were no federal or institutional capital contributions to the loan program during the year ended June 30, 2011. The College utilizes the services of University Accounting Services, Inc. to administer the repayments of the Federal Perkins loans and perform certain due diligence procedures.

# Hope College

## Schedule of Findings and Questioned Costs Year Ended June 30, 2011

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.268, 84.063, 84.033, 84.007, 84.038, 84.376, 84.379, and 84.375	Student Financial Aid Cluster
Various	Research and Development Cluster
84.047	TRIO Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# Hope College

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), earnings related to board-designated endowments should be classified as unrestricted net assets and any underwater portion of donor-restricted endowments should be classified as a reduction to unrestricted net assets.</p> <p><b>Condition</b> - The change in accounting under UPMIFA as recorded in the June 30, 2010 financial statements was not properly accounted for and as a result, the financial statements did not properly reflect the amount of accumulated unrestricted net assets that should have been recorded as unrestricted instead of temporarily restricted.</p> <p><b>Context</b> - The amount of net assets improperly classified between unrestricted and temporarily restricted in the June 30, 2010 financial statements was \$6,612,845.</p> <p><b>Cause</b> - The College did not have policies and procedures in place to properly account for the change in accounting under UPMIFA.</p> <p><b>Effect</b> - A prior period adjustment was made to the beginning unrestricted and temporarily restricted net assets to properly reflect the beginning net assets.</p> <p><b>Recommendation</b> - We recommend ensuring that in future years the earnings on board-designated net assets remain classified as unrestricted net assets as well as repayment of underwater endowments when needed.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management agrees with the recommendation and has reviewed the classifications and developed procedures to ensure net assets are properly classified in future years.</p>

### Section III - Federal Program Audit Findings

None



## Corrective Action Plan

The following is Hope College's corrective action plan for the listed item(s) for fiscal year ended June 30, 2011.

### Finding – 2011-1

- Financial Statement Audit Finding
- Material Weakness
- Name of contact person responsible for corrective action – Doug VanDyken, Director of Finance – 616-395-7810 or vandyken@hope.edu
- Corrective action planned – The College's procedures have been updated to properly record earnings on board designated net assets and repayment of underwater net assets (when needed) as unrestricted net assets rather than temporarily restricted net assets.
- Anticipated completion date – November 2011

These corrective actions will place Hope College in compliance with the specified regulations.