

# **Hope College**

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**Federal Awards  
Supplemental Information  
June 30, 2013**

### Independent Auditor's Reports:

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	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 for the Major Federal Program; Report on Internal Control Over Compliance	4-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8-9
Schedule of Findings and Questioned Costs	10-12
Corrective Action Plan	13

Report on Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133

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, 2013 and have issued our report thereon dated November 11, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to November 11, 2013.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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.

*Plante & Moran, PLLC*

November 11, 2013

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 Management and the Board of Trustees  
Hope College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hope College (the "College"), which comprise the basic statement of financial position as of June 30, 2013 and the related basic statements of activities, and cash flows for the year then ended, and related notes to the financial statements and have issued our report thereon dated November 11, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hope College'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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control 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 entity'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 2013-001 to be a material weakness.

To Management and 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 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*.

### **Hope College's Response to the Finding**

Hope College's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Hope College'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 College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Morse, PLLC*

Grand Rapids, Michigan  
November 11, 2013

Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees  
Hope College

**Report on Compliance for the Major Federal Program**

We have audited Hope College's (the "College") compliance 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 its major federal program for the year ended June 30, 2013. Hope College's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Hope College's major federal program 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 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Hope College's compliance.

To the Board of Trustees  
Hope College

### ***Opinion on the Major Federal Program***

In our opinion, Hope College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Hope College 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 Hope College's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

Grand Rapids, Michigan  
November 11, 2013

# Hope College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

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:			
William D. Ford Direct Loan Program (2012-2013)	84.268		\$ 17,457,349
Federal Pell Grant Program	84.063	P063P100228	2,808,340
Federal Work-Study Program (excluding expenditures of \$77,263 paid from matching funds)	84.033	P033A102017	247,243
Federal Supplemental Educational Opportunity Grants Program (excluding expenditures of \$80,737 paid from matching funds)	84.007	P007A102017	242,212
Federal Perkins Loans Outstanding (Note 3)	84.038	P038A042017	5,166,777
Federal TEACH Grants	84.379		<u>257,200</u>
Total Student Financial Aid Cluster			26,179,121
Research and Development Cluster:			
National Science Foundation - Direct:			
Mathematical and physical sciences	47.049	DMS-0645887	23,179
	47.049	CHE-0809162	23,791
	47.049	CHE-0851194	45,658
	47.049	CHE-0952768	96,313
	47.049	PHY-1004811	42,065
	47.049	PHY-0969058	97,198
	47.049	AST-1009731	50,913
	47.049	CHE-1039925	4,672
	47.049	DMR-1104725	27,139
	47.049	CHE-1058981	18,573
	47.049	CHE-1058981	125,957
	47.049	CHE-1148719	36,122
	47.049	DMR-1206149	73,881
	47.049	CHE-1263097	26,893
Biological sciences	47.074	MCB-0745100	1,826
	47.074	DBI-0754293	55,394
	47.074	DBI-0850546	64,061
	47.074	IOS-1119775	65,095
	47.074	DBI-1229585	163,457
Education and human resources	47.076	STEM-DUE-0728574	81,009
	47.076	DUE-0966191	67,824
	47.076	DUE-1121464	79,425
	47.076	DUE-1153600	41,494
ARRA - NSF Recovery Act Research Support	47.082	CNS-0851293	55,008
	47.082	MCB-0843564	10,250
	47.082	CHE-0922623	1,034
	47.082	PHY-0922794	<u>13,275</u>
Total National Science Foundation			1,391,506

# Hope College

## Schedule of Expenditures of Federal Awards (continued) Year Ended June 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Clusters (Continued)			
Research and Development Cluster (continued):			
National Institutes of Health - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	IR15DK096541-01A1	\$ 21,631
National Aeronautics and Space Administration passed through the University of Michigan - Michigan Space Consortium	43.001	NGT5-40062	25,004
Particle Acceleration and High Energy Pulsar Magnetospheres	43.001	NNX09AQ71G	347
NRS/Research Opportunities in Space and Earth Sciences	43.001	NNX09AH69G	460
Total National Aeronautics and Space Administration			25,811
Department of Energy - Preparing for Harvesting Radioisotopes from FRIB	81.049	DE-SC0007352	390,160
Argonne National Laboratory - Kbase: An Integrated Knowledgebase for Predictive Biology and Environmental Research	81.unknown	DE-AC02-06CH11357	103,780
Environmental Protection Agency - Reducing PEDEs and Related Flame Retardents in the Great Lakes	66.469	EPA-R5-GL2012-1	56,991
Homeland Security - The Effects of Lightweight Lining Materials for Reducing Blast Damage to Reinforced Aluminum Plates	97.069	06-G-019	2,799
Total Research and Development Cluster			1,992,678
TRIO Cluster - Upward Bound (excluding expenditures of \$183,192 paid from matching funds)	84.047	P047A990606-02	358,122
Child Nutrition Cluster - Summer Food Service Program for Children	10.559		11,858
Total federal awards			<b><u>\$28,541,779</u></b>

# Hope College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

### 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 (the "College") under programs of the federal government for the year ended June 30, 2013. 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, *Cost Principles for Educational Institutions*, 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 subrecipients 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	\$ 10,693
National Science Foundation - Biological sciences - Dordt College	47.074	25,715
Department of Energy passed through Argonne National Laboratory - Biology and environmental research - Dordt College	81.unknown	33,290
Department of Energy - Office of Energy research - Washington University (St. Louis)	81.049	142,294
Environmental Protection Agency - Great Lakes Program - Great Lakes Commission	66.469	12,470
Environmental Protection Agency - Great Lakes Program - Social and Environmental Center	66.469	22,749
Total		<u>\$ 247,211</u>

# Hope College

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2013**

### **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 \$628,265. 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, 2013. 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, 2013

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

#### Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  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 program:

- 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 program: Unmodified

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 program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.268, 84.063, 84.033, 84.007, 84.038, and 84.379	Student Financial Aid 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, 2013

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Under accounting principles generally accepted in the United States of America, pledges receivable should be classified as temporarily restricted net assets due to the inherent time restriction on collections of pledges receivable. Also under accounting principles generally accepted in the United States of America, certain grant revenue is considered to be an exchange transaction and should be recorded as unrestricted revenue and not as temporarily restricted revenue with a corresponding release from restriction to unrestricted revenue.</p> <p><b>Condition</b> - As of June 30, 2012, certain pledges receivable were accounted for as unrestricted net assets instead of temporarily restricted net assets and certain grant revenue was recorded twice as unrestricted grant revenue and also recorded within unrestricted net assets through a release of restriction.</p> <p><b>Context</b> - The amount of net assets improperly classified between unrestricted and temporarily restricted in the June 30, 2012 financial statements was \$6,024,125.</p> <p><b>Cause</b> - The College did not have policies and procedures in place to properly account for pledges receivable and grant revenue.</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 all future pledges receivable are classified as temporarily restricted until the pledge payment is received, at which time the time restriction would be removed and the pledge would be classified based on its purpose restriction, if any. We also recommend grant revenue classified as exchange transactions should be recorded as unrestricted revenue without a corresponding release of restriction into unrestricted net assets.</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>

# Hope College

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

### Section III - Federal Program Audit Findings

None

The following is Hope College’s corrective action plan for the listed item for the fiscal year ended June 30, 2013.

Finding Reference No.	Corrective Action Plan
2013-001	<p><b>Finding Type – Material Weakness</b></p> <p><b>Contact Person –</b> Doug VanDyken, Director of Finance (616) 395-7810</p> <p><b>Corrective Action Planned –</b> The College’s procedures have been updated to properly classify pledged receivables as temporarily restricted until the pledge has been received, at which time the time restriction is removed and the pledge will be classified based on its purpose restriction, if any. The College’s procedures have also been updated to properly record certain grant revenue as unrestricted revenue.</p> <p><b>Anticipated Date of Completion –</b> Implementation will begin effective November 30, 2013</p>