

# **Hope College**

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**Federal Awards  
Supplemental Information  
June 30, 2014**

### Independent Auditor's Reports:

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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 financial statements of Hope College (the "College") as of and for the year ended June 30, 2014 and have issued our report thereon dated December 8, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 8, 2014.

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 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*

Grand Rapids, Michigan  
December 8, 2014

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 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 statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2014.

**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 opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 2014-001 that we consider to be a significant deficiency.

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 & Moran, PLLC*

Grand Rapids, Michigan  
December 8, 2014

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

Independent Auditor's Report

To the Board of Trustees  
Hope College

**Report on Compliance for Each 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 each of its major federal programs for the year ended June 30, 2014. Hope College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Hope College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each 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 Each 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 each of its major federal programs for the year ended June 30, 2014.

### **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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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  
December 8, 2014

# Hope College

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

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 (2013-2014)	84.268		\$ 16,661,097
Federal Pell Grant Program	84.063	P063P100228	2,838,101
Federal Work-Study Program (excluding expenditures of \$68,651 paid from matching funds)	84.033	P033A102017	219,685
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	5,313,112
Federal TEACH Grants	84.379		<u>189,942</u>
Total Student Financial Aid Cluster			25,464,149
Research and Development Cluster:			
National Science Foundation - Direct:			
Mathematical and physical sciences	47.049	AST-1009731	30,556
	47.049	CHE-0809162	5,268
	47.049	CHE-0952768	55,940
	47.049	CHE-1039925	12,942
	47.049	CHE-1058981	94,073
	47.049	CHE-1126462	1,243
	47.049	CHE-1148719	72,566
	47.049	CHE-1263097	88,603
	47.049	DMR-1104725	26,791
	47.049	DMR-1206149	37,669
	47.049	PHY-0969058	48,996
	47.049	PHY-1004811	17,010
	47.049	PHY-1306074	44,813
Biological sciences	47.074	DBI-0754293	26,764
	47.074	DBI-0850546	21,919
	47.074	DBI-1229585	4,874
	47.074	DBI-1335890	427,450
	47.074	IOS-1119775	58,986
	47.074	mcb-1330734	19,068
Education and human resources	47.076	STEM-DUE-0728574	15,000
	47.076	DUE-0966191	133,888
	47.076	DUE-1121464	4,043
	47.076	DUE-1153600	52,651
	47.076	DUE-1245814	3,305
ARRA - NSF Recovery Act Research Support	47.082	CNS-0851293	<u>19,358</u>
Total National Science Foundation - Direct			1,323,776

# Hope College

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2014

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	IRI5DK096541-01A1	\$ 85,868
National Aeronautics and Space Administration:			
Passed through the University of Michigan - Michigan Space Consortium	43.001	NGT5-40062	20,096
Particle Acceleration and High Energy Pulsar Magnetospheres	43.001	NNX09AQ71G	<u>19,177</u>
Total National Aeronautics and Space Administration			39,273
Department of Energy:			
Preparing for Harvesting Radioisotopes from FRIB	81.049	DE-SC0007352	251,344
Argonne National Laboratory - Kbase: An Integrated Knowledgebase for Predictive Biology and Environmental Research	81.unknown	DE-AC02-06CHI1357	<u>89,826</u>
Total Department of Energy			341,170
Environmental Protection Agency -			
Reducing PEDEs and Related Flame Retardents in the Great Lakes	66.469	EPA-R5-GL2012-1	43,509
National Endowment for the Humanities	45.169	HD-50194-07	<u>166,278</u>
Total Research and Development Cluster			1,999,874
TRIO Cluster - Upward Bound (excluding expenditures of \$141,853 paid from matching funds)	84.047	P047A990606-02	346,200
Child Nutrition Cluster - U.S. Department of Agriculture passed through the Michigan Department of Agriculture Summer Food Service Program for Children	10.559		<u>9,395</u>
Total federal awards			<b><u>\$ 27,819,618</u></b>

# Hope College

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

### 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, 2014. 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 - Grand Rapids Community College	47.049	\$ 5,689
National Science Foundation - Biological sciences - Dordt College	47.074	8,843
Department of Energy passed through Argonne National Laboratory - Biology and environmental research - Dordt College	81.unknown	39,462
Department of Energy - Office of Energy research - Washington University (St. Louis)	81.049	73,118
Environmental Protection Agency - Great Lakes Program - Great Lakes Commission	66.469	11,530
Environmental Protection Agency - Great Lakes Program - Social and Environmental Center	66.469	24,000
	Total	<u>\$ 162,642</u>

# Hope College

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014**

### **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 \$982,575. 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, 2014. 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, 2014

### 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 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: 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 programs:

<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
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, 2014

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2014-001	<p><b>Finding Type</b> - Significant Deficiency</p> <p><b>Criteria</b> - Under accounting principles generally accepted in the United States of America, pledges receivable should be recognized as revenue when an unconditional promise to give is received and recorded at the stated pledge receivable amount.</p> <p><b>Condition</b> - During testing of pledges receivable, it was noted that three pledge amounts were incorrectly recorded at double the pledged amount. There was also one pledge that did not have adequate documentation to determine if an unconditional promise to give was made.</p> <p><b>Context</b> - The amount of the pledges improperly recorded as of June 30, 2014 was approximately \$937,000.</p> <p><b>Cause</b> - The College did not perform the proper review over the query that is exported out of the College's accounting system that is used to accumulate the pledge listing. Also, there was a lack of communication between the advancement and accounting departments concerning the pledge with inadequate documentation.</p> <p><b>Effect</b> - An adjusting entry was made to reduce pledges receivable and contribution revenues to the proper amount as of June 30, 2014.</p> <p><b>Recommendation</b> - The College should implement controls to ensure pledges receivable are properly recorded in accordance with generally accepted accounting principles.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Management agrees with the recommendations and has developed procedures and controls to enhance the pledge listing review and communications between the advancement and accounting departments.</p>

### Section III - Federal Program Audit Findings

None