

Hope College

**Federal Awards
Supplemental Information
June 30, 2012**

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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, 2012 and have issued our report thereon dated November 28, 2012, which contained an unqualified opinion on those basic financial statements. Those basic financial statements are the responsibility of the management of Hope College. Our responsibility is to express an opinion on those basic financial statements based on our audit. We have not performed any procedures with respect to the audited basic financial statements subsequent to November 28, 2012.

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. 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 28, 2012

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, 2012 and have issued our report thereon dated November 28, 2012. 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

The management of Hope College is responsible for establishing and maintaining an effective 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2012-1, that we consider to be a significant deficiency in internal control over financial reporting. 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.

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 finding 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, 2012

Report on Compliance with Requirements That Could Have a
Direct and Material Effect on the 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 its major federal program for the year ended June 30, 2012. The major federal program of Hope College is 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 its major federal program 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 its major federal program for the year ended June 30, 2012.

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 29, 2013

Hope College

Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

| 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 (2011 - 2012) | 84.268 | | \$ 16,710,352 |
| Federal Pell Grant Program | 84.063 | P063P100228 | 2,622,079 |
| Federal Work-Study Program (excluding expenditures of \$85,474 paid from matching funds) | 84.033 | P033A102017 | 273,517 |
| 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 | 5,538,766 |
| Federal TEACH Grants | 84.379 | | <u>307,505</u> |
| Total Student Financial Aid Cluster | | | 25,694,431 |
| Research and Development Cluster: | | | |
| National Science Foundation - Direct programs: | | | |
| Mathematical and physical sciences | 47.049 | Various | 869,963 |
| Education and human resources | 47.076 | Various | 266,991 |
| Biological sciences | 47.074 | Various | 213,477 |
| ARRA - NSF Recovery Act Research Support | 47.082 | Various | <u>311,871</u> |
| Total National Science Foundation | | | 1,662,302 |
| National Aeronautics and Space Administration passed through the University of Michigan - Michigan Space Consortium | 43.001 | NGT5-40062 | 44,181 |
| National Aeronautics and Space Administration - Direct programs: | | | |
| Particle Acceleration & High Energy Plasma Magnetospheres | 43.001 | NNX09AQ71G | 8,272 |
| NRS/Research Opportunities in Space and Earth Sciences | 43.001 | NNX09AH69G | 7,987 |
| FERMI Guest Program | 43.001 | NNX10AQ41G | <u>23,417</u> |
| Total National Aeronautics and Space Administration | | | 83,857 |
| Department of Energy - Direct programs - Preparing for Harvesting Radioisotopes from FRIB | 81.049 | DE-SC0007352 | 103,839 |
| Department of Energy passed through Argonne National Laboratory - Kbase - An Integrated Knowledgebase for Predictive Biology & Environmental Research | not applicable | DE-AC02-06CH11357 | <u>18,183</u> |
| Total Department of Energy | | | 122,022 |
| Homeland Security - Direct programs: | | | |
| Cathodoluminescent Signatures of Neutron Irradiation | 97.077 | 2008-DN-077-ER008-02 | 21,331 |
| The Effects of Lightweight Lining Materials for Reducing Blast Damage to Reinforced Aluminum Plates | 97.069 | 06-G-019 | <u>22,198</u> |
| Total Homeland Security | | | <u>43,529</u> |
| Total Research and Development Cluster | | | 1,911,710 |

Hope College

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2012

| 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 \$160,576 paid from matching funds) | 84.047 | P047A990606-02 | \$ 364,650 |
| Child Nutrition Cluster - Summer Food Service Program for Children passed through the Michigan Department of Education | 10.559 | | 6,398 |
| 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>\$ 27,983,189</u> |

Hope College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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, 2012. 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 | \$ 28,149 |
| National Science Foundation - Biological Sciences - Fellowship for Interpretation of Genomes | 47.074 | 101,380 |
| National Science Foundation - Biological sciences - Samford Burnham Medical Research Institute | 47.074 | <u>33,244</u> |
| Total | | <u>\$ 162,773</u> |

Hope College

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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 \$498,921. 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, 2012. 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, 2012

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 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, 2012

Section II - Financial Statement Audit Findings

| Reference Number | Finding |
|------------------|---|
| 2012-1 | <p>Finding Type - Significant deficiency</p> <p>Criteria - Under generally accepted accounting principles 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.</p> <p>Condition - As of June 30, 2012, certain pledges receivable were accounted for as unrestricted net assets instead of temporarily restricted net assets.</p> <p>Context - The amount of net assets identified as improperly classified between unrestricted and temporarily restricted net assets in the June 30, 2012 financial statements was \$3,188,723.</p> <p>Cause - The College did not have policies and procedures in place to properly account for pledges receivable.</p> <p>Effect - An adjustment was made to unrestricted and temporarily restricted contributions revenue for 2012 to properly classify pledges receivable in the appropriate net asset class.</p> <p>Recommendation - We recommend ensuring all future pledges receivable are classified as temporarily restricted until the pledge is received, at which time the time restriction would be removed and the pledge would be classified based on its purpose restriction, if any.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the recommendation and has reviewed the classifications and developed procedures to ensure future pledges receivable are properly classified.</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, 2012.

Finding – 2012-1

- Financial Statement Audit Finding
- Significant Deficiency
- 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 classify pledged receivables as temporarily restricted until the pledge has been paid, at which time the restriction is removed and the pledge will be classified based upon its purpose restriction, if any.
- Anticipated completion date – November 30, 2012

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