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February 11, 2021

Management and the Board of Directors
Boys Hope Girls Hope of Michigan, Inc.
3031 West Grand Blvd, Suite 425
Detroit, MI 48202

We have completed our audit of the financial statements of Boys Hope Girls Hope of Michigan, Inc. as of and for the year ended June 30, 2020, and have issued our report dated February 11, 2021. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

II Communication of Internal Control Matters Identified During the Audit

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

III Matters for Management's Consideration

We discussed these matters with various personnel in the Organization during the audit and have already met with management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Ann Arbor, Michigan

Appendix I

Auditors' Communication of Significant Matters with Those Charged with Governance

Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 of the financial statements. The Organization has adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18 *Statement of Cash Flows (Topic 230) – Restricted Cash*. ASU 2014-09 is effective for years ending December 15, 2019 and later. The update clarifies the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. ASU 2018-08 is effective for years ending December 15, 2019 and later. The update clarifies when a transaction is a contribution and whether it is unconditional. ASU 2016-18 is effective for years ending December 15, 2019 and later. The update clarifies how restricted cash should be presented in the statement of cash flows. We noted no transactions entered into by the Organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Boys Hope Girls Hope of Michigan, Inc.'s financial statements were:

- Management's estimate of the functional allocation of expenses is based on the Organization's cost allocation methodology using allocation bases including estimated time allocations of personnel and other estimates.
- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole and free from bias.

Disclosures in the financial statements are neutral, consistent and clear.

Accounting Standards and Regulatory Updates

- *Cybersecurity Posture*
Cybersecurity posture, an overall measure of cybersecurity strength, is more prevalent than ever as organizations continue to face cybersecurity risks. Billions of emails are sent every day, some of which contain attachments with malicious files or malicious embedded links aimed at negatively impacting unsuspecting organizations. A recent study showed as many as four out of five US Companies have suffered from an attack. Not only can a successful attack cost thousands of dollars and put a strain on IT resources while remediation efforts are underway, but sensitive information may be breached.

Risk assessment is a first step in mitigating cybersecurity risks and improving your organization's overall cybersecurity posture. The National Institute of Standards and Technology published Framework for Improving Critical Infrastructure Cybersecurity, which "enables organizations, regardless of size, degree of cybersecurity risk, or cybersecurity sophistication, to apply the principles and best practices of risk management to improving the security and resilience of critical infrastructure." The framework is designed to cover five areas including identification, protection, detection, responsiveness and recovery. The publication can be found at www.nist.gov.

Placing significant emphasis on evaluating your organization's cybersecurity posture, and channeling sufficient resources towards proper risk assessment, implementation, and education will reduce the likelihood of a cybersecurity threat, and help lessen the impact of a breach.

- **Leases**

There is a new Accounting Standards Update which will significantly change accounting for leases by both lessors and lessees. The new guidance, requires the right of use model in accounting for all leases, with limited exceptions. As a result, lessees will be required to recognize assets and liabilities arising from operating leases. Lessees will recognize interest expense on the liability and amortization of the right-to-use asset in their results of operations. Capital lease accounting will also change due to changes in guidance related to options and contingent rentals. Rules may be simplified for leases with terms of twelve months or less but will be applied to all existing leases upon adoption. The guidance could have implications, not only for the Organization's financial statements, but also for any applicable debt covenants. The standard that will be applicable for the fiscal year ending June 30, 2022.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all adjustments.

The following material misstatement was detected as a result of our audit procedures and corrected by management:

For the period ending June 30, 2020 (continued):

Rent expense (increased)	\$	41,297	
Rent payable (increased)			\$ 41,297

To book rent payable for New Center One lease

Net assets effect: decrease of \$41,297

There were no known uncorrected misstatements that were more than trivial.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Emphasis of Matters in Independent Auditors' Report

Our report will include the following emphasis of matter paragraphs:

Adoption of New Accounting Standard

As described in Note 1 to the financial statements, Boys Hope Girls Hope of Michigan, Inc. changed its method of accounting for revenue recognition in 2020 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*, changed its method of accounting for contributions in 2020 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and changed its method of accounting for restricted cash in 2020 as required by the provisions of FASB Accounting Standards Update 2016-18 *Statement of Cash Flows – Restricted Cash*. Our opinion is not modified with respect to those matters.

Appendix II

Communication of Internal Control Matters Identified During the Audit

In planning and performing our audit of the financial statements of Boys Hope Girls Hope of Michigan, Inc. as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Boys Hope Girls Hope of Michigan, Inc.'s internal control over financial reporting as a basis for designing our audit 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 and, therefore, material weaknesses may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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 following deficiency in Boys Hope Girls Hope of Michigan, Inc.'s internal control to be a material weakness:

Audit Entries Required

During the audit of the financial statements, we noted that audit entries were required to be recorded in order for the balances to be fairly presented.

An entry was required to record expenses incurred prior to year end in accounts payable, including \$41,297 in rent for months the Organization occupied leased premises but had not yet made the related lease payments. We recommend that management verify the service dates on invoices in order to record payables in the correct period.

Appendix III Matters for Management's Consideration

In planning and performing our audit of the financial statements of Boys Hope Girls Hope of Michigan, Inc. as of and for the year ended June 30, 2020, we considered Boys Hope Girls Hope of Michigan, Inc.'s internal control over financial reporting (internal control) as a basis for designing our audit 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated February 11, 2021, on the financial statements of Boys Hope Girls Hope of Michigan, Inc. Our comments and recommendations regarding those matters are:

Net Assets with Donor Restrictions

During our review of net assets with donor restrictions, we noted that supporting documentation related to the restrictions could not be located. It was determined that the funds were received several years ago and carried forward based on word of mouth. This was addressed in prior years and we noted that the Executive Director has made efforts to obtain the supporting documents, however, it has not yet been obtained. We therefore recommend that further effort be put into obtaining support for these amounts, possibly consulting with the Organization's legal counsel. We further recommend that all new contributions with donor restrictions received have backup retained. This will ensure that the funds are being used for the correct purpose and that the Organization remains in compliance with donor restrictions.

Conflict of Interest Policy

The Board of Directors are currently required to disclose conflicts of interest and abstain from voting on matters in which they may have a conflict of interest. However, Boys Hope Girls Hope of Michigan, Inc. does not have a procedure in place to accumulate and report conflicts of interest or document the lack of conflicts of interest. We therefore recommend Boys Hope Girls Hope of Michigan, Inc.'s conflict of interest policy be updated to include an annual disclosure of conflicts of interest. The disclosure should be completed by each board member and note the lack of conflicts of interest or list any potential conflicts of interest. Board members should continue to bring forth any conflicts of interest as they become known.

Functional Allocation of Expenses

We noted that the functional allocation of expenses is based solely on management's estimate. Although we believe that management has estimated this allocation within a reasonable range, this estimate continues to be difficult to document and substantiate. Given the number of outside sources who rely on this estimate in the financial statements or in the tax return, we recommend a procedure to better substantiate the estimate. We would like to stress that we do not expect significantly different results, but that the documentation of a basis for management's estimate will provide more accurate information to all those who rely on the estimate. We recommend that a time study be performed annually. This time study can be as few as two weeks during the year or as many as several months during the year. The time study should be performed during a "normal" time of year for the Organization. The normal business cycle of an organization necessitates that certain times of the year will be more heavily devoted to certain programs, fundraising, or management and general activities. Try to find a time period that is not skewed towards one or more activity. Employees with allocable time should record their time on time sheets during the time study. Their time should be recorded according to how many hours are spent on each program, fundraising, or management and general activity which is separately stated in the financial statements or the tax return. All hours worked during a day should be included on the time sheet regardless of whether the employee is salary or hourly. At the end of the time study, the information should be

analyzed to determine actual percentages of time, either on a per employee basis or at the organizational level, devoted to each major activity. This time study should be the basis for management's estimate of the functional expense allocation in the yearend financial statements.