Change Happens!

FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORTS

August 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Change Happens!
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Change Happens! (a Texas nonprofit organization) which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Change Happens! as of August 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note 3 to the financial statements, certain errors were discovered during the current year and adjustments have been made to net assets as of August 31, 2018, to correct the errors. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020 on our consideration of Change Happens! internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Change Happens! internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
December 1, 2020

Statement of Financial Position

August 31,		2019
Assets		
Current assets		
Cash and cash equivalents	$	985,075
Grants receivable		651,304
Note receivable		116,000
Prepaid expenses and other assets		104,758
Total current assets		1,857,137
Non-current assets		
Investments in marketable securities		854,601
Property and equipment, net		57,525
Total non-current assets		912,126
Total assets	$	2,769,263
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	98,915
Accrued expenses		354,464
Deferred revenue		50,000
Total current liabilities		503,379
Commitments and contingencies		
Net assets		
Without donor restrictions		2,210,352
With donor restrictions		55,532
Total net assets		2,265,884
Total liabilities and net assets	$	2,769,263

For the year ended August 31, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Government grants	$ 4,315,270	$ -	$ 4,315,270
Contributions	660,629	55,532	716,161
Investment return	8,388	-	8,388
Other income	1,697	-	1,697
Total revenue and other support	4,985,984	55,532	5,041,516
Expenses			
Program services			
Youth programs	2,171,675	-	2,171,675
Adult programs	2,420,755	-	2,420,755
Total program services	4,592,430	-	4,592,430
Supporting services			
Management and general	699,316	-	699,316
Fundraising	196,804	-	196,804
Total supporting services	896,120	-	896,120
Total expenses	5,488,550	-	5,488,550
Change in Net Assets	(502,566)	55,532	(447,034)
Net assets at beginning of year, as previously reported	2,586,665	-	2,586,665
Prior period adjustment	126,253	-	126,253
Net assets at beginning of year, as restated	2,712,918	-	2,712,918
Net assets at end of year	$ 2,210,352	$ 55,532	$ 2,265,884

For the year ended August 31, 2019	Program Services: Youth Programs	Program Services: Adult Programs	Program Services: subtotal	Supporting Services: Management & General	Supporting Services: Fundraising	Total
Salaries and benefits	$ 1,297,212	$ 1,069,531	$ 2,366,743	$ 322,637	$ 91,992	$ 2,781,372
Contractual service payments	306,224	364,028	670,252	-	-	670,252
Supplies	59,202	34,901	94,103	11,663	3,439	109,205
Travel	46,315	35,133	81,448	3,876	7,800	93,124
Automobile expenses	12,156	9,946	22,102	24	-	22,126
Equipment rental	8,161	8,588	16,749	2,917	-	19,666
Other personnel	9,677	11,274	20,951	173	-	21,124
Outreach and promotion	69,937	56,496	126,433	8,589	3,048	138,070
Occupancy	7,418	22,097	29,515	14,639	-	44,154
Insurance	20,268	13,977	34,245	1,902	-	36,147
Staff development and training	37,098	12,545	49,643	2,413	-	52,056
General and other professional fees	90,914	95,110	186,024	281,726	53,874	521,624
Rent expense	162,368	77,852	240,220	47,146	5,615	292,981
Rental assistance	-	562,795	562,795	-	-	562,795
Fundraising costs	-	-	-	-	15,956	15,956
Other	44,725	46,482	91,207	1,611	15,080	107,898
Total	$ 2,171,675	$ 2,420,755	$ 4,592,430	$ 699,316	$ 196,804	$ 5,488,550

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended August 31,		2019
Operating Activities		
Change in net assets	$	(447,034)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized and realized loss on investments		14,800
Changes in operating assets and liabilities		
Grants receivable		(21,336)
Prepaid expenses and other assets		53,643
Accounts payable		50,486
Accrued expenses		257,356
Deferred revenue		50,000
Net cash used in operating activities		(42,085)
Investing Activities		
Purchase of investments		(89,227)
Proceeds from sale of investments		66,728
Net cash used in investing activities		(22,499)
Net change in cash and cash equivalents		(64,584)
Cash and cash equivalents at beginning of year		1,049,659
Cash and cash equivalents at end of year	$	985,075

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF THE ORGANIZATION

Change Happens! (the "Organization"), formerly known as Families Under Urban & Social Attack (FUUSA) is a local, community based, nonprofit organization incorporated on March 1, 1990, primarily to empower families to help themselves. To accomplish its mission, Change Happens! provides a variety of programs and services to adults and at-risk youth in Houston and Harris County. These programs include youth prevention, intervention and positive youth development programs, adolescent and adult substance abuse prevention and treatment programs, supportive services to the homeless, HIV prevention programs and outreach services that provide assistance to families of uninsured children in applying for health insurance.

The Organization's programs are organized under two program groups: youth programs and adult programs.

The Youth Programs consist of the following:

- The HYPE 2.0 program (Helping Youth Prevent Engaging in Risky Behavior) was designed to educate youth ages 14-19 on abstinence, teen pregnancy prevention, HIV/AIDS, STDs/STIs, and positive youth development.

- The HYPE 3.0 program (Helping Youth Prevent Engaging in Risky Behavior) focuses on African-American and Hispanic/Latino youth, ages 14-19 living in Houston, Texas and attending schools in the Houston Independent School District which uses the evidence-based curriculum, Love Notes, which empower youth with the skills needed to further their own personal development, form and maintain healthy relationships, and commit or recommit to leaving sex out of their youthful relationships while they work toward success in education and employment.

- The INSIGHT (Imagine Now! Standing Intently to Generate Health and Transcendence) is a sexual risk avoidance education (SRAE) program that targets African American and Hispanic/Latino youth, ages 14-19 living in Houston, Texas to empower participants to make healthy decisions, and provide tools to prevent pregnancy, sexually transmitted infections, sexually transmitted diseases as well as lower youth engagement in other risky behaviors.

- My Brother's Keeper is a mentoring program to help boys and young men of color improve academic achievement, self-esteem, social competence, and avoidance of high risk behavior by providing a relationship with a caring adult.

The Adult Programs consist of the following:

- The Young Fathers Can program provides comprehensive reentry support services, including mentoring, workforce training and problem solving skills, to address the successful and safe transition of young fathers ages 17 to 24 from detention, out-of-home placement, or incarceration back to their families and communities.

Note 1: DESCRIPTION OF THE ORGANIZATION (Continued)

- Self Sufficiency Fund seeks to provide training for targeted employment opportunities to allow adult temporary assistance for needy families (TANF) recipients and individuals at risk of becoming dependent on public assistance to achieve self-sufficiency.

- The Rescue in Motion Permanent Houston programs provide permanent, subsidized housing and support services to chronically homeless men and women with disabilities.

- Services To Aid in Retaining Shelter (STAIRS 2.0) seek to integrate behavioral health treatment and services for substance use disorders and co-occurring mental and substance use disorders, permanent housing, and other critical services for individuals who are experiencing homelessness 18 years of age and older living in Houston/Harris County.

- The Navigator program sends trained navigators into the community to educate consumers and assist them with finding low-cost health insurance coverage options for the Affordable Act Marketplace in Harris and Fort Bend Counties.

- The Change Happens! Case Management for Children & Pregnant Women program is a Medicaid benefit that provides health-related case management services to children birth through 20 years of age.

- The Northern Third Ward (NTW) Neighborhood Implementation Project identifies critical issues in the third ward through resident and stakeholder participation, to formulate strategies for the successful development and enhancement of the NTW Houston community.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly applying the changes prospectively to the period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted net asset has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 4) and expanded disclosures related to the functional allocation of expenses (Note 2).

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management considers receivables at August 31, 2019, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Note Receivable

The Organization has a note receivable from Change Happens CDC in the amount of $116,000. The note receivable bears interest at 5 % and is due July 26, 2026. Subsequent to the year-end, the note was paid off and the accrued interest was forgiven.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization reports investments in equity securities, fixed income and exchange traded products with readily determinable fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains are reported as an increase in net assets without donor restrictions unless otherwise specified by donor restrictions.

Property and Equipment

All acquisitions of property and equipment in excess of $1,500 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets ranging from three to seven years. All assets are fully depreciated and there was no depreciation expense for the year ended August 31, 2019.

Deferred Revenue

Revenue from grants is recognized when the related services are provided. Grant and contract amounts received in advance and have not been earned are shown as deferred revenue.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization had no restrictions that are required to be maintained in perpetuity as of August 31, 2019.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues received are recorded as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Revenues received with donor restrictions that are met in the same reporting period are recorded as net assets without donor restrictions.

Government Grants

Grant revenues are recognized when services are rendered.

Contributions

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognized approximately $164,000 of donated services for the year ended August 31, 2019. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to rent are based upon square footage used, and supplies and equipment rental were based upon usage by staff in each functional area.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended August 31, 2019, advertising costs totaled $5,142.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income and did not conduct unrelated business activities during the year. The Organization is also classified as a public charity under 509(a)(1) and 170(b)(1)(A)(vi) of the IRC. Therefore, no provision for Federal income tax has been made in these financial statements.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of August 31, 2019, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 1, 2020. See Notes 2 (Note Receivable), 10 and 12 for the relevant disclosures. No subsequent events occurring after this date has been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which an organization serves as a resource recipient for fiscal years beginning after December 15, 2018. In June 2020, the FASB amended the effective date for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the Statement of Financial Position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard, as amended, is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments in this update apply to Not-for-Profit entities that receive contributed nonfinancial assets. Under the guidance, entities are required to (1) present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the Statement of Activities by category that depicts the type of contributed nonfinancial assets and certain qualitative information. This new guidance is required to be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: PRIOR PERIOD ADJUSTMENTS

In 2019, management discovered several errors relating to the 2018 financial statements. These errors included certain governmental receivables and revenues that were earned but not recorded in the amount of $150,090, over depreciation of fixed assets of $15,992, receivables that were not collectible in the amount of $24,800, and an unrecorded liability of $15,029. The net impact of these adjustments was to increase beginning net assets by $126,253.

Note 4: FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents and investments in marketable securities to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the Statement of Financial Positon date, reduced by amounts not available for general use within one year of the Statement of Financial Positon date because of contractual or donor-imposed restrictions.

August 31,	**2019**
Financial assets, at year-end	**$ 2,606,980**
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	**(55,532)**
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,551,448**

Change Happens has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately $900,000, including costs reimbursed by grants.

Note 5: INVESTMENTS

Investments in marketable securities consist of the following:

August 31, 2019	Market Value
Mutual funds	
Equities	**$ 387,887**
Fixed Income	**274,751**
Exchange Traded Products	**191,963**
Total investments	**$ 854,601**

Note 6: PROPERTY AND EQUIPMENT

Property and equipment - net consist of the following:

August 31,		2019
Land	$	57,525
Furniture, fixtures and equipment		674,431
Total property and equipment		731,956
Less accumulated depreciation		(674,431)
Property and equipment, net	$	57,525

Note 7: NET ASSETS

A summary of net assets with donor restrictions follows:

August 31,		2019
Purpose restricted		
Emergency assistance	$	15,000
My Brothers Keeper		9,055
Northern Third Ward		31,477
Total net assets with donor restrictions	$	55,532

Note 8: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
  - can be corroborated by observable market data.

Note 8: FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2019.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Assets and liabilities measured at fair value on a recurring basis, are summarized for the year ended August 31, 2019:

August 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 387,887	$ -	$ -	**$ 387,887**
Fixed Income	274,751	-	-	**274,751**
Exchange-Traded Funds	191,963	-	-	**191,963**
Total investments at fair value	$ 854,601	$ -	$ -	**$ 854,601**

Note 9: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash with a financial institution in excess of the FDIC limit of $250,000 by $50,319 at August 31, 2019.

For the year ended August 31, 2019, two donors provided 43% of contributions.

Note 10: COMMITMENTS AND CONTINGENCIES

Grant Assistance

The Organization receives significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits would become a liability of the Organization. However, in the opinion of management, any potential disallowed claims, if any, would not have a material effect on the Organization's financial statements.

Operating Leases

The Organization leases its building and certain office equipment accounted for as operating leases. In September 2019, the Organization entered into a new lease agreement for its building expiring in 2025. Rent expense for the year ended August 31, 2019 totaled $292,981.

Minimum lease payments under noncancellable operating leases are as follows, including renewal periods from December 1, 2022 through November 30, 2025:

For the years ending August 31,		
2020	$	326,456
2021		433,787
2022		441,492
2023		434,219
2024		429,554
Thereafter		539,350
Total future minimum lease payments	$	2,604,858

Note 11: DEFINED CONTRIBUTION PLAN

The Organization sponsors a 401(k) profit sharing plan (the Plan) covering all full-time employees with at least one year of service. The Organization contributes 3% of all eligible employees' salary to the retirement plan automatically. Additionally, employees may make a voluntary pre-tax contribution up to a maximum of 4% of annual compensation. Employees are fully vested after three years of service. Total expense for the Plan for the year ended August 31, 2019 was $75,919.

The Organization also has a discretionary 457 (b) plan for certain management employees. Employee contributions are made pre-tax and are tax deferred to the employee up to $15,000 per year. Additionally a discretionary incentive contribution by the employer may be made. Total expense for the discretionary plan was $10,000 for the year ended August 31, 2019.

Note 12: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after August 31, 2019 through December 1, 2020, the date the Organization's financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. The continued spread of the COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

In April 2020, the Company received $518,055 in loan proceeds related to the Small Business Administration Paycheck Protection Program (SBA PPP) as established by the Coronavirus Aid, Relief, and Economic Security Act. The interest rate on the loan is fixed at 1% per annum and accrues from the date the proceeds are received. Principal and interest payments shall be deferred for six months with seventeen monthly principal and interest payments of $28,780 commencing in November 2020, with a final payment of $28,802 due on April 2022. The loan will mature in April 2022; however, the loan may be fully or partially forgiven depending on certain criteria being met as defined by the SBA PPP.

SINGLE AUDIT REPORTS

For the year ended August 31, 2019	Federal CFDA Number	Pass-through Grantor's I.D. Number	Award Period	Program or Award Amount	Total Expenditures	Passed-thru to Subrecipients
U.S. Department of Health and Human Services						
Direct Funding						
Administration for Children & Families - Families & Youth Services						
Personal Responsibility Education Program	93.092	90AK0051-03-00	09/30/17 to 09/29/18	$ 668,764	$ 67,361	$ -
Personal Responsibility Education Program	93.092	90AK0051-04-00	09/30/18 to 09/29/19	668,764	555,992	29,865
Sexual Risk Avoidance Education	93.060	90SR0044-01-00	09/30/18 to 09/29/19	445,773	199,017	-
				1,783,301	822,370	29,865
Center for Disease Control & Prevention						
HIV Prevention Activities	93.939	5 NU65PS004848-04-00	07/01/18 to 06/30/19	697,681	434,135	156,420
HIV Prevention Activities	93.939	5 NU65PS004848-05-00	07/01/19 to 06/30/20	697,681	93,236	34,760
				1,395,362	527,371	191,180
Centers for Medicare & Medicaid Services						
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	5 NAVCA150277-03-01	09/13/17 to 09/12/18	488,722	5,816	-
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332	6 NAVCA180312-01-01	09/12/18 to 09/11/19	406,297	343,126	-
				895,019	348,942	-
Public Health Service						
Tennage Pregnancy Prevention Program	93.297	1 TP1AH000187-01-00	07/15/19 to 06/30/20	493,000	37,022	-
Substance Abuse And Mental Health Services Administration						
Substance Abuse and Mental Health Services Projects	93.243	1H79TI080562-01	09/30/18 to 09/29/19	400,000	270,118	-
Pass-Through Programs						
Pass-Through Texas Health and Human Services Commission						
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048103-003	09/01/18 to 08/31/19	207,500	171,086	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048104-003	09/01/18 to 08/31/19	207,250	148,793	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048002-003	09/01/18 to 08/31/19	375,000	344,730	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048050-003	09/01/18 to 08/31/19	350,000	256,371	-
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-049509-003	09/01/18 to 08/31/19	128,736	66,808	32,830
Block Grant for Prevention and Treatment of Substance Abuse	93.959	2016-048205-003	09/01/18 to 08/31/19	254,959	141,541	-
				1,523,445	1,129,329	32,830
Opioid STR	93.788	2016-048205-003	09/01/18 to 08/31/19	54,959	27,147	-
Pass Through Texas Workforce Commission						
Temporary Asst Needy Families (TANF) - TANF Cluster	93.558	2819SSF002	05/01/19 to 04/30/20	308,055	41,205	-
Total U.S Department of Health and Human Services				6,853,141	3,203,504	253,875

See independent auditors' report and notes to the schedule of expenditures of federal awards.

For the year ended August 31, 2019	Federal CFDA Number	Pass-through Grantor's I.D. Number	Award Period	Program or Award Amount	Total Expenditures	Passed-thru to Subrecipients
U.S. Department of Housing and Urban Development						
Direct Funding						
Office of Community Planning and Development						
Continuum of Care Program	14.267	TX0392L6E001703	09/01/18 to 08/31/19	$ 950,274	$ 932,923	$ -
Continuum of Care Program	14.267	TX0301L6E001605	11/01/17 to 10/31/18	181,515	50	-
Total U.S. Department of Housing and Urban Development				1,131,789	932,973	-
U.S. Department of Justice						
Direct Funding						
Young Fathers CAN (Create a New Beginning)						
Children of Incarcerated Parents	16.831	2017-IG-BX-0019	10/01/17 to 09/30/20	342,858	180,113	-
Total U.S. Department of Justice				342,858	180,113	-
Total Expenditures of Federal Awards				$ 8,327,788	$ 4,316,590	$ 253,875

See independent auditors' report and notes to the schedule of expenditures of federal awards.

Note 1: BASIS OF PRESENTATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the Federal program fund expenditures of all Federal award programs of Change Happens! (the Organization) for the year ended August 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the Organization's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles as found in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: INDIRECT COST

The Organization has elected not to use the 10% de minimus indirect cost rate for the year ended August 31, 2019.

Note 4: LOANS AND LOAN GURANTEES

The Organization did not have any loans or loan guarantee programs required to be reported on the Schedule for the year ended August 31, 2019.

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INDEPENDENT AUDITORS' 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*

To the Board of Directors
Change Happens!
Houston, Texas

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 Change Happens! (the Organization), which comprise the Statement of Financial Position as of August 31, 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-003.

Change Happens! Response to Findings

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

Carr, Riggs & Ingram, L.L.C.

Houston, Texas
December 1, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Change Happens!
Houston, Texas

Report on Compliance for the Major Federal Program

We have audited Change Happens! (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, U*niform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 August 31, 2019.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Uniform Guidance, 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 Organization'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-004, that we consider to be a significant deficiency.

Change Happens! response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Change Happens! response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Houston. Texas
December 1, 2020

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified not considered to be material weaknesses?	None noted
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified not considered to be material weaknesses?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program
14.267	Continuum of Care Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

SECTION II: FINANCIAL STATEMENT FINDINGS

2019-001 Financial Reporting (Material Weakness)

Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles.

Condition: For the fiscal year ended August 31, 2019, the Organization did not properly record transactions for cash, grants receivable, deferred revenue, payables, grant revenues, expenses, and depreciation expense. Accruals for revenues were not recorded or were recorded incorrectly and in the wrong accounting period, which required prior period adjustments.

Cause: Turnover at the CFO position at year-end caused lack of proper close-out of the fiscal year. The Organization did not hire a full-time replacement for the employee that resigned and the reconciliations were not reviewed, and in some cases, not performed.

Effect: As a result of not having a devoted, full-time employee in the senior financial management position, fiscal year-end reconciliations and accruals were not properly performed.

Recommendation: The Organization should establish procedures to ensure that all accounts are properly reconciled on a monthly basis, year-end accruals are properly recorded, and the financial statements are accurately prepared in accordance with generally accepted accounting principles.

Views of Responsible Officials: Change Happens! has engaged a third party consultant to assist in reviewing current internal controls and making necessary changes to the month end and fiscal year end procedures to ensure that the annual financial statements are fairly presented in accordance with generally accepted accounting principles.

2019-002 Errors on Schedule of Expenditures of Federal Awards (Material Weakness)

Criteria: Under 2CFR, the Organization must prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA). We noted errors in the preparation of the SEFA for expenditures that resulted in a net overstatement of the SEFA of $82,340.

Cause: The Organization did not have controls in place to identify that the amounts recorded in the books and records charged to a grant did not agree to final grantor reports or exceeded the approved budget.

Condition: The financial records were not properly reconciled to the grant reports. Turnover at the CFO position at year-end caused lack of proper close-out of the fiscal year. The Organization did not hire a full-time replacement for the employee that resigned and the reconciliations were not reviewed, and in some cases, not performed.

Effect: The SEFA expenditures were overstated, which required a correction of the SEFA expenditures.

Recommendation: The Organization should establish procedures to ensure that the SEFA is properly reconciled to the financial records and submitted grant reports.

Views of Responsible Officials: Change Happens! has added additional procedures to grant billing. Subsequent reimbursements will be accrued at fiscal year end and included in the final submitted grant reports. The grant reports will be reconciled to the financial records and differences identified and adjusted prior to submission to the grantor. Properly reconciled expenditures and related reimbursements will be recorded on the SEFA.

SECTION II: FINANCIAL STATEMENT FINDINGS

2019-003 Late Submission of Financial Statements to Single Audit Clearinghouse (Repeat Finding)

Criteria: In accordance with 2CFR 200, the Single Audit reporting package is to be filed no later than the earlier of 30 days after the audited financial statements are available or nine months after the organization's year-end (extended to August 31, 2020 for fiscal year August 31, 2019.)

Condition: The financial records were not properly reconciled and there were significant errors that required time for the Contract CFO to reconcile the records. The audit was not completed before the deadline for submission to the Single Audit Clearinghouse.

Cause: Turnover at the CFO position at year-end caused lack of proper close-out of the fiscal year and the audit was delayed. In addition, due to COVID-19, there were further delays which caused the audit to be completed past the deadline.

Effect: The Organization does not qualify as a low risk auditee for the purposes of conducting a Single Audit.

Recommendation: Management should allocate sufficient human resources to ensure that the financial statements are prepared accurately and timely to comply with deadlines for submission of the Single Audit reporting package.

Views of Responsible Officials: Change Happens! is working with a national human resources recruitment firm to interview and hire a fulltime Chief Financial Officer.

SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS

2019 – 004 Internal Controls over Matching and Earmarking (Significant Deficiency)

U.S. Department of Housing and Urban Development
14.267 – Office of Community Planning and Development – Continuum of Care Program
Federal Award: TX0392L6E001703
2018-2019 Funding

Criteria: Under 2 CFR Section 200.303(a), non-federal entities must establish and maintain effective internal controls to provide reasonable assurance that the entity is managing the federal awards in compliance with statues, regulations, and the terms and conditions of the award. Additionally, under 24 CFR Section 578.78 and 24 CFR Section 578.59, the Organization must have internal controls to ensure the compliance with matching and earmarking requirements, to ensure that those requirements are met for each grant.

SECTION III: FEDERAL FINDINGS AND QUESTIONED COSTS (Continued)

Condition: The Organization did not have proper procedures in place to timely review that matching costs incurred were recorded in the financial statements based on grant requirements. Although the matching requirements had been met based upon timesheets prepared by contract staff, staff and volunteers, the costs were not completely recorded in the financial records. As a result, the Organization's financial statements did not reflect that the Organization had met the matching requirement required by the grants. In addition, there was no control in place to review budget to actual costs to ensure the earmarking requirement was met.

Effect: Without internal controls operating effectively, it is possible that the Organization would be at risk to be out of compliance with the matching and earmarking compliance requirements of the program which could result in return of grant funds or inability to utilize all available grant funding.

Cause: Turnover in the Organization's CFO position caused a lack of proper close-out procedures, including no reconciliation of matching and in-kind expenses between the detail records, financial records and the grants reports being performed. In addition, there were no reconciliations performed during the fiscal year related to this compliance area.

Questioned Costs: None.

Auditors' Recommendation: The Organization should timely review and reconcile program reports to financial reporting to ensure that matching costs are recorded accurately and timely. Management should review the budget to actual in its financial reporting to ensure that the Organization is in compliance with matching and earmarking requirements.

Views of Responsible Officials: The match reporting has been added to the month end checklist as well as the monthly budget summary and is reviewed and approved by the CEO and the CFO in preparation for the monthly budget meetings. The monthly journal entries will be reviewed and approved by the CFO.

SECTION IV: SCHEDULE OF PRIOR YEAR FINDINGS

2018-001 Deficiency in internal control over financial reporting – late filing with Federal Audit Clearinghouse

Condition and Criteria: Change Happens! internal control environment is not designed and operating effectively to ensure that meeting administrative reporting requirements related to federal awards are met as part of the routine operating procedures. The structure of staffing is inadequate and the accounting department policies and procedures manual is outdated. Processes for the allocation of costs to federal awards for space, employee salaries and fringe benefits rely on extensive manual processes that are susceptible to errors and require significant review by the accounting staff and are not automated increasing the time required to complete routine tasks.

Status: Repeat finding 2019-002

2018-002 Inadequate segregation of duties

Status: Cleared

Change HAPPENS!®

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December 1, 2020

Change Happens! submits the following corrective action plan for the year ended August 31, 2019.

Carr, Riggs & Ingram, LLC
Two Riverway, 15th Floor
Houston, TX 77056

Audit Period: Fiscal Year September 1, 2018 – August 31, 2019

The findings from the schedule of findings and questioned costs dated November 30, 2020 is discussed below:

2019-001 Financial Reporting (Material Weakness)

Recommendation*:* The Organization should establish procedures to ensure that all accounts are properly reconciled on a monthly basis, year-end accruals are properly recorded, and the financial statements are accurately prepared in accordance with generally accepted accounting principles.

Corrective Action:

Change Happens! has engaged a 3rd party Internal Audit firm to assist with reviewing current internal controls and making necessary changes or enhancements to the month end and fiscal year end procedures. The Auditors are addressing the month end check list, outstanding items on the bank reconciliations, monthly and annual accruals as well as ensuring the annual financial statements are fairly presented in accordance with generally accepted accounting principles.

Responsible party**: Chief Executive Office and Board of Directors**

Date Expected to be corrected: In progress with a completion date of January 31, 2021

2019-002 Errors on Schedule of Expenditures of Federal Awards (Material Weakness)

Recommendation*:* The Organization should establish procedures to ensure that the SEFA is properly reconciled to the financial records and submitted grant reports.

Corrective Action: The current grant procedures require the Sr. Accountant to prepare the grant billing and submit to the grantor within 60 days of grant year end. Change

Happens! has added additional procedures. Any subsequent reimbursements will be accrued at Fiscal Year End and included in the final submitted grant reports. The grants reports will be reconciled to the financial records and any differences will be identified and any necessary adjustment will be made prior to submitting to the grantor. Only the reconciled expenditure and related reimbursements will be recorded on the SEFA.

Responsible party: **Chief Financial Officer**

Date Expected to be corrected: August 31, 2020

2019-003 Late Submission of Financial Statements to Single Audit Clearinghouse (Repeat Finding)

Recommendation: Management should allocate sufficient human resources to ensure that the financial statements are prepared accurately and timely to comply with deadlines for submission of the Single Audit reporting package.

Corrective Action: Change Happens! is working with a national human resources recruitment firm to interview and hire a full time Chief Financial Officer.

Responsible party: **Chief Operations Officer, Chief Executive Officer and Board of Directors**

Date Expected to be corrected: December 31, 2020

2020-004 Internal Controls over Matching and Earmarking (Significant Deficiency)

Recommendation: The Organization should timely review and reconcile program reports to financial reporting to ensure that matching costs are recorded accurately and timely. Management should review the budget to actual in its financial reporting to ensure that the Organization is in compliance with matching and earmarking requirements.

Corrective Action: The Reporting for Match has been added to the month end check list as well as the Monthly Budget Summary and is reviewed and approved by the CEO and the CFO in preparation for the Monthly Budget Meetings. The monthly journal entries are reviewed and approved by the CFO.

Responsible party: **Chief Financial Officer**

Date Expected to be corrected: August 31, 2020