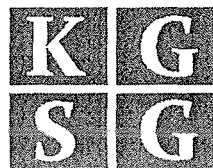


**VOICES OF HOPE – LEXINGTON, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

*Certified Public Accountants and Advisors*

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## INDEPENDENT AUDITOR'S REPORT

Board of Governors  
Voices of Hope - Lexington, Inc.  
Lexington, Kentucky

### Opinion

We have audited the accompanying financial statements of Voices of Hope - Lexington, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Voices of Hope - Lexington, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Voices of Hope - Lexington, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Voices of Hope - Lexington, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Voices of Hope - Lexington, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Voices of Hope - Lexington, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary 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* 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 schedule of expenditures of federal awards 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 August 12, 2024, on our consideration of the Organization's 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 the effectiveness of Voices of Hope - Lexington, Inc.'s 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 Voices of Hope - Lexington, Inc.'s internal control over financial reporting and compliance.

*Kelley Ballouay Smith Hooley PSC*

Ashland, Kentucky  
August 12, 2024

**VOICES OF HOPE - LEXINGTON, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 510,751
Accounts receivable	777,717
Other receivables	9,768
Prepaid expenses	7,210
Total current assets	1,305,446
Capital assets	
Land	77,893
Buildings	455,752
Building improvements	15,814
Vehicles	24,595
Equipment	13,289
Less: accumulated depreciation	(44,275)
Total capital assets	543,068
Total assets	\$ 1,848,514

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 22,730
Accrued liabilities	13,647
Deferred revenue	76,678
Notes payable, current portion	11,528
Total current liabilities	124,583
Non-current liabilities	
Notes payable, less current portion	271,935
Total non-current liabilities	271,935
Total liabilities	396,518
Net assets:	
Without donor restrictions	1,451,996
	1,451,996
Total liabilities and net assets	\$ 1,848,514

The accompanying notes to financial statements  
are an integral part of this statement.

VOICES OF HOPE - LEXINGTON, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

WITHOUT DONOR RESTRICTIONS:

Revenues and Support:

Grant revenues	\$ 3,037,650
Program income	3,016,146
Contributions	100,906
Other revenue and support	17,238
Total revenue and support	<u>6,171,940</u>

Expenses:

Program services	5,548,190
Management and General	384,019
Fundraising	7,041
Total expenses	<u>5,939,250</u>

CHANGE IN NET ASSETS 232,690

NET ASSETS AT BEGINNING OF YEAR 1,219,306

NET ASSETS AT END OF YEAR \$ 1,451,996

The accompanying notes to financial statements  
are an integral part of this statement.

**VOICES OF HOPE - LEXINGTON, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 3,235,691	\$ 175,986	\$ -	\$ 3,411,677
Payroll taxes	266,741	15,738	-	282,479
Fringe benefits	674,919	22,409	-	697,328
Grants and direct assistance	363,618	-	-	363,618
Contract services	84,255	33,558	1,760	119,573
Rent	152,105	1,451	-	153,556
Supplies	8,934	4,947	-	13,881
Information technology	107,114	34,371	3,818	145,303
Travel	329,604	1,204	-	330,808
Office expense	52,064	15,676	1,331	69,071
Facility and equipment	21,616	21,008	-	42,624
Participant transport	92,082	-	-	92,082
Sober social and training events	106,238	1,679	-	107,917
Employee recruitment	44,045	-	132	44,177
Other expenses	9,164	23,863	-	33,027
Depreciation	-	20,711	-	20,711
Interest	-	11,418	-	11,418
Total expenses	<u>\$ 5,548,190</u>	<u>\$ 384,019</u>	<u>\$ 7,041</u>	<u>\$ 5,939,250</u>

The accompanying notes to financial statements are an integral part of this statement.

**VOICES OF HOPE - LEXINGTON, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 232,690
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	20,711
(Increase) decrease in operating assets -	
Accounts receivable	(29,202)
Other receivables	(9,768)
Increase (decrease) in operating liabilities -	
Accounts payable	6,852
Accrued expenses	13,647
Deferred revenue	(82,155)
Net cash provided by operating activities	<u>152,775</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of capital assets	<u>(24,595)</u>
Net cash used for investment activities	<u>(24,595)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Principal payments on notes payable	<u>(11,114)</u>
Net cash used for investment activities	<u>(11,114)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	117,066
CASH, BEGINNING OF YEAR	<u>393,685</u>
CASH, END OF YEAR	<u>\$ 510,751</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Interest Paid	<u>\$ 11,418</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**VOICES OF HOPE - LEXINGTON, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Voices of Hope - Lexington, Inc. (the Organization) is presented to assist in understanding the financial statements. The financial statements and notes are representations of Organization management, who are responsible for their integrity and objectivity.

Nature of Organization: Voices of Hope - Lexington, Inc. is a non-profit organization under IRS Code Section 501(c)(3). The purpose of the Organization is to reduce overdoses and deaths and the stigma associated with addiction. Partner with leaders (public and private) in the sectors of criminal justice, education, enforcement, faith-based, government, healthcare, public safety, and social services to offer harm reduction solutions by educating, equipping and empowering all who are closely involved with those suffering from addiction. Engage, educate and empower active users and the community about the benefits of naloxone and other harm reduction education solutions. Facilitate persons in recovery and interested others in expanding the community's capacity to support one another to address the problems of addiction and daily living. Increase and broaden the inclusion of persons in recovery in employment, housing, and all areas of life. Advocate for the best interests of persons in recovery as needed.

Sources of Revenue: The Organization receives a majority of its revenues from donations, grants, and program income from individuals, governments, universities, hospitals, and other similar entities.

Basis of Accounting: The financial statements of the Organization are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America (GAAP). The Accounting Standards Codification (ASC) as produced by the Financial Accounting Standards Board (FASB), is the sole source of authoritative GAAP for non-governmental entities.

New Accounting Pronouncements: In 2023, the Organization adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. The Financial Accounting Standards Board (FASB) has subsequently issued additional ASUs amending certain aspects of ASU 2016-13. The implementation had no significant impact on the financial statements.

**VOICES OF HOPE - LEXINGTON, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED**

Basis of Presentation: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. A description of the two net asset categories follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or donor-imposed stipulations that the net assets be maintained permanently by the Organization.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, if that restriction is not met in the year of contribution. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition

Contributions: Contributions are considered conditional and unconditional, depending on the nature and existence of any grantor or donor conditions. A contribution or promise to give contains a grantor or donor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred, or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Grant Revenue: Grants are recorded as contributions based on criteria contained in the grant award. Grants are generally considered contributions as the resource provider (grantor) often receives value indirectly by providing a societal benefit that is not considered to be of commensurate value directly to the grantor. Grants that qualify as contributions are evaluated for conditions and recognized as revenue in accordance with ASC Topic 958. Unconditional awards are recognized as revenue when the award is received. Conditional grants received in which conditions have not been met are reported as deferred revenue. During the year ended December 31, 2023, the Organization recognized revenue related to conditional grants of \$3,037,650. As of December 31, 2023, the Organization recognized \$76,678 of deferred revenue related to conditional grants that had been received but where conditions have not been met.

VOICES OF HOPE - LEXINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Program Income: The contract revenue reported by the Organization on the statement of activities primarily includes peer recovery support revenues. The Organization recognizes revenues from peer recovery support services on a monthly basis, as the service is provided, and performance obligations are met. Peer recovery support revenue totaled \$3,016,146 for the year ended December 31, 2023.

Contract Assets:

The timing of revenue recognition, billings and cash collections results in billed accounts receivable for peer recovery support. Contract assets included in accounts receivable on the Statement of Financial Position are as follows:

	<u>2023</u>
Accounts Receivable for Peer Recovery Support -	
Beginning of Year	\$ 549,651
End of Year	435,278

Cash and Cash Equivalents: The Organization considers demand deposits, and other investments, if any, with an original maturity of 90 days or less to be cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses: Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management considers accounts receivable to be fully collectible; accordingly, no allowance for credit losses is required. If accounts become uncollectible, they will be charged off when that determination is made. Receivables consist mainly of grant and contract receivables.

Prepaid Expenses: Payments made that will benefit periods beyond the year end are recorded as prepaid expenses. A current asset for the prepaid amount is recorded at the time of the purchase and expense is reported in the year in which services are consumed.

Capital Assets: All purchased capital assets are recorded at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. The organization has a capitalization policy of \$5,000.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the improvements. Depreciation is computed using the straight-line method over the following useful lives:

VOICES OF HOPE - LEXINGTON, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,  
CONTINUED

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10-30 years
Technology equipment	3-10 years
Vehicles	5-8 years

Leases: The Organization determines if an arrangement is or contains a lease at inception. Leases that meet the criteria for capitalization are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term.

Deferred Revenue: Deferred revenue arises when assets are received before the revenue recognition criteria have been satisfied. Grant revenue exceeding the amount expended at December 31<sup>st</sup> is deferred within the financial statements because the revenue would have to be returned if the entity ended operations on December 31<sup>st</sup>. In addition, reimbursement grant revenue received before the underlying expenses have been incurred will be recorded as deferred revenue.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses: The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Separate expenditure categories and ledgers are maintained by the Organization to account for operations of each significant individual program. Expenses are allocated directly to program or management activities based on specific information, such as hours worked by employees or the proportion of benefit received by a specific program.

Income Taxes: The Organization is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits or possible related interest or penalties. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years before 2020.

**VOICES OF HOPE - LEXINGTON, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**

Management’s Review of Subsequent Events: The Organization has evaluated and considered the need to recognize or disclose subsequent events through August 12, 2024, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2023, have not been evaluated by the Organization.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Organization maintains cash balances at local financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, or held in sweep accounts that are collateralized by bank-owned securities. As of December 31, 2023, all Organization cash balances were covered by FDIC insurance or were held in collateralized sweep accounts.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Organization has adopted a formal operating reserve policy that sets a target of three months of average recurring operating costs. The Organization continually reviews its financial assets and assesses if these financial assets are sufficient to meet the target established by the operating reserve policy. The Organization’s financial assets for this purpose include cash and cash equivalents, and accounts and other receivables. As of December 31, 2023, the Organization’s financial assets available to meet cash needs for general expenditures within one year are \$1,298,236.

**NOTE 4 – NOTES PAYABLE**

In May 2021, the Organization obtained a note payable to finance the purchase and renovation of property. As of December 31, 2023, the note has a balance of \$283,463. The note has an interest rate of 3.89% and matures in May 2041. The note is secured by real estate with a carrying value of \$496,931.

Principal and interest payments to be made on the note at December 31, 2023, for each of the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,528	\$ 11,003	\$ 22,531
2025	12,023	10,509	22,532
2026	12,505	10,026	22,531
2027	13,008	9,524	22,532
2028	13,504	9,027	22,531
Thereafter	<u>220,895</u>	<u>58,869</u>	<u>279,764</u>
	<u>\$ 283,463</u>	<u>\$ 108,958</u>	<u>\$ 392,421</u>

**VOICES OF HOPE - LEXINGTON, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

**NOTE 5 – LEASES**

The Organization has entered into short-term leases for office space and a vehicle. Rental expense related to these lease agreements was \$153,556 for the year ended December 31, 2023.

**NOTE 6 – CONTINGENCIES**

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its expenses. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**SUPPLEMENTARY INFORMATION**

VOICES OF HOPE - LEXINGTON, INC.

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor Pass-Through Grantor/ Program Title	AL Number	Pass Through/Award Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
Opioid State Targeted Response	93.788	PON2 729 2200002471	\$ -	\$ 1,234,149
Opioid State Targeted Response	93.788	PON2 729 2300001989	-	1,262,579
Total passed through Kentucky Cabinet for Health and Family Services			-	2,496,728
<i>Passed through Foundation for a Healthy Kentucky</i>				
Opioid State Targeted Response	93.788	FREE2024 VOH	-	2,904
Total Opioid State Targeted Response			-	2,499,632
<i>Passed through Kentucky Cabinet for Health and Family Services</i>				
COVID-19 - Health Equity Carveout	93.391	PON2 728 2300003783	-	34,420
<i>Passed through University of Kentucky Research Foundation</i>				
Injury Prevention and Control Research and State and Community Based Programs	93.136	1 NU17CE010186-01-00	-	46,980
<b>Total U.S. Department of Health and Human Services</b>			-	2,581,032
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed through Kentucky Office of Vocational Rehabilitation</i>				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	PON2 531 2300001987	-	99,761
<b>Total U.S. Department of Education</b>			-	99,761
<b>Total expenditures of federal awards</b>			<b>\$ -</b>	<b>\$ 2,680,793</b>

The accompanying notes are an integral part of this schedule.

**VOICES OF HOPE - LEXINGTON, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Voices of Hope - Lexington, Inc. under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from those numbers.

**Note B – 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 contained in the Uniform Guidance, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rates**

Voices of Hope - Lexington, Inc. has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the *Uniform Guidance*.



**K**elley **G**alloway  
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**INDEPENDENT AUDITOR'S 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  
Voices of Hope - Lexington, Inc.  
Lexington, Kentucky

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 Voices of Hope - Lexington, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2023, 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 August 12, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Voices of Hope - Lexington, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Voices of Hope - Lexington, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Voices of Hope - Lexington, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Voices of Hope - Lexington, Inc.'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 financial statements. 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*.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kelley Galloway Smith Godsey, PSC*

Ashland, Kentucky  
August 12, 2024




**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Voices of Hope - Lexington, Inc.  
Lexington, Kentucky

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

***Opinion on Each Major Federal Program***

We have audited Voices of Hope - Lexington, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Voices of Hope - Lexington, Inc.'s major federal programs for the year ended December 31, 2023. Voices of Hope - Lexington, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Voices of Hope - Lexington, Inc. 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 December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Voices of Hope - Lexington, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Voices of Hope - Lexington, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Voices of Hope - Lexington, Inc.'s federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Voices of Hope - Lexington, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Voices of Hope - Lexington, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Voices of Hope - Lexington, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Voices of Hope - Lexington, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Voices of Hope - Lexington, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Kelley Galloway Smith Hobbs, PSC*

Ashland, Kentucky  
August 12, 2024

**VOICES OF HOPE - LEXINGTON, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**(A) SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes   x   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   x   no

Identification of major federal programs:

Opioid State Targeted Response (93.788)

Dollar threshold to distinguish between Type A and Type B Programs: \$   750,000  

The Organization qualified as a low risk auditee \_\_\_\_\_ yes   x   no

**(B) FINANCIAL STATEMENT FINDINGS**

None noted in the current year.

**(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the current year.

**VOICES OF HOPE – LEXINGTON, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED ECEMBER 31, 2023**

<b>Finding Number</b>	<b>Finding/Noncompliance</b>	<b>Status</b>	<b>Responsible Contact Person</b>
2022-001	During testing of 60 grant expenditures, auditors were not able to view documentation that vendors had been reviewed to verify they were not suspended or debarred from the federal government. After additional analysis, it was deemed all vendors were permitted and resulted in no questioned costs.	Corrected	Shelley Elswick, President/CEO