

November 11, 2014

To the Board of Directors and Management of
New Hope Housing, Inc.

This letter is provided to advise you of matters required to be communicated under professional standards, and to discuss our consideration of internal control in our recently completed audit of the financial statements of the New Hope Housing, Inc. ("the Organization") as of and for the year ended June 30, 2014.

REQUIRED COMMUNICATIONS

We have audited the financial statements of the Organization for the year ended June 30, 2014, and have issued our report thereon dated November 11, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements related to revenue recognition and functional expense allocations. These estimates were based on management's analysis of revenues, and time and level of effort tracking of expenses. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We are required to report any significant difficulties or unusual delays encountered while performing the audit. There were no significant difficulties, and we had access to all requested documents. Management was very knowledgeable, professional, and responsive to our requests throughout the process.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known uncorrected misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements noted during our audit.

In addition, professional standards require us to accumulate all significant, corrected misstatements identified during the audit, and communicate them to the appropriate level of management. There was one entry as a result of an audit to recognize bequest receivable and related contribution revenue in the amount of \$332,943.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2014. A copy of that letter has been retained by management and is available for review.

Management Consultations with Other Independent Accountants

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

Other Significant Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit of the financial statements of the Organization as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 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. However, material weaknesses may exist that have not been identified. Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. 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 and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

SUMMARY

The communications in this letter are intended solely for the information and use of the Board of Directors and Management, and are not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is stylized, with the "R" being particularly large and the "+" sign integrated into the word "Company".**ROGERS & COMPANY PLLC**

New Hope Housing, Inc.

Financial Statements,
Including OMB Circular A-133 Reports
and Independent Auditors' Report

June 30, 2014 and 2013

New Hope Housing, Inc.

Financial Statements,
Including OMB Circular A-133 Reports
and Independent Auditors' Report
June 30, 2014 and 2013

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7-17
<i>Supplemental Information</i>	
Schedules of Functional Expenses.....	18-19
Schedules of Program Services.....	20-21
<i>Supplemental Schedule and Reports Required by OMB Circular A-133</i>	
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 <i>Government Auditing Standards</i>	22-23
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance	24-25
Schedule of Expenditures of Federal Awards.....	26
Notes to the Schedule of Expenditures of Federal Awards	27-28
Schedule of Findings and Questioned Costs.....	29-30
Schedule of Prior Audit Findings	31

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Hope Housing, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of New Hope Housing, Inc. ("the Organization") which comprise the statements of financial position as of June 30, 2014 and 2013; the related statements of activities and changes in net assets and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. 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 auditor's 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 auditor considers 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 the Organization as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on pages 18-21 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplemental information and the schedule of expenditures of federal awards are 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 November 11, 2014, 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 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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "&" symbol being clearly visible.

Vienna, Virginia
November 11, 2014

New Hope Housing, Inc.

Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Cash	\$ 341,446	\$ 527,233
Accounts receivable	1,038,735	426,281
Grants receivable	102,534	61,164
Bequest receivable	332,943	-
Prepaid expenses and other assets	12,120	11,121
Investments	481,797	734,298
Property and equipment, net	<u>2,116,627</u>	<u>2,200,396</u>
Total assets	<u>\$ 4,426,202</u>	<u>\$ 3,960,493</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 410,059	\$ 372,444
Client funds payable	32,596	19,016
Advances received	25,409	25,409
Forgivable loans	346,264	373,234
FCRHA loans	<u>1,065,072</u>	<u>1,065,072</u>
Total liabilities	<u>1,879,400</u>	<u>1,855,175</u>
Net Assets		
Unrestricted:		
Undesignated	2,022,291	1,988,646
Board designated	<u>100,000</u>	<u>100,000</u>
Total unrestricted	2,122,291	2,088,646
Temporarily restricted	<u>424,511</u>	<u>16,672</u>
Total net assets	<u>2,546,802</u>	<u>2,105,318</u>
Total liabilities and net assets	<u>\$ 4,426,202</u>	<u>\$ 3,960,493</u>

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
County contract services	\$ 3,426,238	\$ -	\$ 3,426,238
Federal and state grants	1,252,863	-	1,252,863
Foundation grants	292,610	89,750	382,360
Special events	136,040	-	136,040
In-kind contributions	268,592	-	268,592
Contributions	168,191	332,943	501,134
Client rents	151,654	-	151,654
Other contract services	67,485	-	67,485
Investment income	92,176	-	92,176
United Way contributions	27,685	-	27,685
Net assets released from restrictions	14,854	(14,854)	-
Total revenue and support	<u>5,898,388</u>	<u>407,839</u>	<u>6,306,227</u>
Expenses			
Program services:			
Mondloch House	619,155	-	619,155
Eleanor Kennedy Shelter	1,311,479	-	1,311,479
Safe Haven Max's Place	343,404	-	343,404
Susan's Place	371,502	-	371,502
FCWS	63,729	-	63,729
Alexandria Community Shelter	1,014,558	-	1,014,558
Milestones	146,357	-	146,357
APS / HCHA	241,921	-	241,921
Health Care for Unsheltered Adults	46,395	-	46,395
RISE	83,946	-	83,946
Next Step Family	771,779	-	771,779
FCRHA Units	115,911	-	115,911
Turning Point	29,425	-	29,425
Stride	12,272	-	12,272
Garlan House	154,797	-	154,797
Just Homes	60,496	-	60,496
Alexandria Housing First I & II	41,115	-	41,115
Other program services	179,818	-	179,818
Total program services	<u>5,608,059</u>	<u>-</u>	<u>5,608,059</u>
Supporting services:			
Management and general	127,881	-	127,881
Fundraising	99,027	-	99,027
Cost of direct benefit to donors	29,776	-	29,776
Total supporting services	<u>256,684</u>	<u>-</u>	<u>256,684</u>
Total expenses	<u>5,864,743</u>	<u>-</u>	<u>5,864,743</u>
Change in Net Assets	33,645	407,839	441,484
Net Assets, beginning of year	<u>2,088,646</u>	<u>16,672</u>	<u>2,105,318</u>
Net Assets, end of year	<u><u>\$ 2,122,291</u></u>	<u><u>\$ 424,511</u></u>	<u><u>\$ 2,546,802</u></u>

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
County contract services	\$ 3,289,443	\$ -	\$ 3,289,443
Federal and state grants	1,375,736	-	1,375,736
Foundation grants	280,523	14,506	295,029
Special events	106,147	-	106,147
In-kind contributions	213,522	-	213,522
Contributions	185,155	-	185,155
Client rents	140,176	-	140,176
Other contract services	65,146	-	65,146
Investment income	72,174	-	72,174
United Way contributions	32,187	-	32,187
Net assets released from restrictions	51,466	(51,466)	-
Total revenue and support	5,811,675	(36,960)	5,774,715
Expenses			
Program services:			
Mondloch House	365,522	-	365,522
Eleanor Kennedy Shelter	1,394,464	-	1,394,464
Safe Haven Max's Place	310,437	-	310,437
Susan's Place	366,084	-	366,084
FCWS	62,137	-	62,137
Alexandria Community Shelter	947,005	-	947,005
Milestones	119,407	-	119,407
APS / HCHA	239,343	-	239,343
Health Care for Unsheltered Adults	51,234	-	51,234
RISE	56,711	-	56,711
Next Step Family	845,513	-	845,513
FCRHA Units	113,350	-	113,350
Turning Point	30,188	-	30,188
Stride	36,647	-	36,647
Gartlan House	147,404	-	147,404
Just Homes	52,648	-	52,648
Other program services	212,838	-	212,838
Total program services	5,350,932	-	5,350,932
Supporting services:			
Management and general	143,416	-	143,416
Fundraising	151,318	-	151,318
Cost of direct benefit to donors	28,774	-	28,774
Total supporting services	323,508	-	323,508
Total expenses	5,674,440	-	5,674,440
Change in Net Assets	137,235	(36,960)	100,275
Net Assets, beginning of year	1,951,411	53,632	2,005,043
Net Assets, end of year	\$ 2,088,646	\$ 16,672	\$ 2,105,318

See accompanying notes.

New Hope Housing, Inc.

Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 441,484	\$ 100,275
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	83,769	92,827
Net realized and unrealized gain on investments	(68,940)	(46,086)
Forgivable loans	(26,970)	(301,370)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(612,454)	4,825
Grants receivable	(41,370)	(165,968)
Bequest receivable	(332,943)	-
Prepaid expenses and other assets	(999)	1,358
Increase (decrease) in:		
Accounts payable and accrued expenses	37,615	51,279
Client funds payable	13,580	(3,980)
Advances received	-	(715)
Net cash used in operating activities	<u>(507,228)</u>	<u>(267,555)</u>
Cash Flows from Investing Activities		
Purchases of investments	(146,263)	(153,266)
Proceeds from sales of investments	<u>467,704</u>	<u>133,861</u>
Net cash provided by (used in) investing activities	<u>321,441</u>	<u>(19,405)</u>
Net Decrease in Cash	(185,787)	(286,960)
Cash, beginning of year	<u>527,233</u>	<u>814,193</u>
Cash, end of year	<u><u>\$ 341,446</u></u>	<u><u>\$ 527,233</u></u>

See accompanying notes.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

1. Nature of Operations

New Hope Housing, Inc. ("the Organization") is a not-for-profit organization incorporated in the Commonwealth of Virginia in 1977. The Organization works to end homelessness across Northern Virginia by providing shelter, transitional and permanent supportive housing, and prevention services for homeless families and single adults. The Organization is committed to offering homeless men, women, and children the services they need to change their lives and succeed. On any given night, more than 300 individuals find a safe place to sleep in a New Hope Housing shelter or housing facility.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization's financial statements are prepared on the accrual basis of accounting and are in accordance with generally accepted accounting principles for not-for-profit organizations. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations. Included in unrestricted net assets is a Board-designated general reserve in the amount of \$100,000 for both years ended June 30, 2014 and 2013.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or through the passage of time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts and Grants Receivable

The Organization's accounts and grants receivable are due in less than one year and are recorded at net realizable value at June 30, 2014 and 2013. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Bequest Receivable

Donor bequests are recorded as bequest revenue when a probate court declares a will valid and the proceeds are measurable, and are recorded at their net present value. At June 30, 2014, the Organization had a bequest receivable from one individual donor of \$332,943 that was time restricted until the receipt of the funds. At June 30, 2013 there were no bequests receivable.

Investments

Investments are recorded at fair value. All realized and unrealized gains and losses are included in the accompanying statements of activities and changes in net assets.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more and with a useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years. Land is not depreciated or amortized. Donated assets are capitalized at fair market value on the date of donation. Expenditures for maintenance and repairs are charged to expenses as incurred.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Federal and state government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position.

New Hope Housing, Inc.

Notes to the Financial Statements
June 30, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Rental income is recognized as the rental payments become due. Rental payments received in advance are deferred until earned and reflected as client funds payable in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

Donated Materials and Services

Donated materials and services are included in in-kind contributions at fair market value as of the date of the donation. The Organization also receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 11, 2014, the date the financial statements were available to be issued.

Subsequent to June 30, 2014, the Organization received the full amount for the bequest receivable, which totaled \$332,943, from one individual donor.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

3. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

A substantial portion of the grants and contract income earned by the Organization is paid by the local jurisdictions of Fairfax County, the City of Alexandria, the Commonwealth of Virginia, and the U.S. Department of Housing and Urban Development (HUD). For the years ended June 30, 2014 and 2013, the Organization recognized \$4,578,190 and \$4,331,928, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 73% and 75%, respectively, of total revenue. The Organization diversifies its funding among the four independent agencies to mitigate any concentration of credit risk.

4. Investments and Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

4. Investments and Fair Value Measurements (continued)

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Taxable bond funds	\$ 80,448	\$ -	\$ -	\$ 80,448
Treasury inflation				
protected securities	25,667	-	-	25,667
International bonds	23,725	-	-	23,725
U.S. equities	129,043	-	-	129,043
International equities	64,431	-	-	64,431
Growth real estate	57,660	-	-	57,660
Small company	36,828	-	-	36,828
Energy/natural resources	25,578	-	-	25,578
Commodities	19,581	-	-	19,581
Aggressive international	11,320	-	-	11,320
Total mutual funds	474,281	-	-	474,281
Money market funds	7,516	-	-	7,516
Total investments	\$ 481,797	\$ -	\$ -	\$ 481,797

New Hope Housing, Inc.

Notes to the Financial Statements
June 30, 2014 and 2013

4. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Taxable bond funds	\$ 171,321	\$ -	\$ -	\$ 171,321
Treasury inflation protected securities	35,265	-	-	35,265
International bonds	32,405	-	-	32,405
U.S. equities	180,103	-	-	180,103
International equities	90,092	-	-	90,092
Growth real estate	62,287	-	-	62,287
Small company	65,663	-	-	65,663
Energy/natural resources	24,913	-	-	24,913
Commodities	22,479	-	-	22,479
Aggressive international	12,461	-	-	12,461
Total mutual funds	696,989	-	-	696,989
Money market funds	37,309	-	-	37,309
Total investments	\$ 734,298	\$ -	\$ -	\$ 734,298

Investment income consists of the following for the years ended June 30:

	2014	2013
Interest and dividends	\$ 23,236	\$ 26,088
Unrealized gain	10,180	36,470
Realized gain	58,760	9,616
Total investment income	\$ 92,176	\$ 72,174

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2014	2013
Land	\$ 695,364	\$ 695,364
Buildings and improvements	2,062,925	2,043,871
Furniture and fixtures	219,227	332,397
Total property and equipment	2,977,516	3,071,632
Less: accumulated depreciation and amortization	(860,889)	(871,236)
Property and equipment, net	<u>\$ 2,116,627</u>	<u>\$ 2,200,396</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$83,769 and \$92,827, respectively.

6. Forgivable Loans

In May 1996, the Organization received funds totaling \$269,700 under HUD's Supportive Housing Program for assistance at closing on purchases of post shelter housing units. The funds were received in the form of loans that would be forgiven if certain contingencies are met by the Organization. According to the terms of the agreement and guidelines in 24 CFR Part 583.305 of the Federal Register, the Organization is required to operate the facility purchased with HUD funds as supportive housing for 10 years, and after 10 years the repayment amount is reduced by 10% each year beyond the 10-year period in which the project is used as supportive housing.

The Organization began the amortization of this loan in 2007, and will continue to amortize the loan until 2015. Revenue totaling \$26,970 was recognized for both years ended June 30, 2014 and 2013, and is included in federal and state grants revenue in the accompanying statements of activities and changes in net assets.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

6. Forgivable Loans (continued)

In addition to the HUD funding, in May 1996, the Organization received a \$274,400 matching conditional grant from the Commonwealth of Virginia Department of Housing and Community Development (DHCD). According to the terms of the grant agreement, the Organization is required to use the funds for supportive housing for the homeless for a period of 15 years after any rehabilitation, refurbishing, and construction activities are completed and all units are occupied. During the year ended June 30, 2013, the Organization met this requirement, and the total amount of the loan was recognized as federal and state grants revenue in the accompanying statement of activities and changes in net assets.

During 2008, the Organization received another HUD loan to support the purchase of a residence for Permanent Supportive Housing for 8 men. The total amount of funds received was \$292,324 and the terms of the repayment are the same as for the HUD loan above. The amortization of this loan will commence in 2018.

7. FCRHA Loans

In July 2008, May 2009, September 2010, and June 2011, the Organization received Community Development Block Grants from the Fairfax County Redevelopment and Housing Authority (FCRHA) in the total amount of \$1,065,072. The funding was obtained by the Organization for acquisition residences to be operated as permanent supportive housing for chronically homeless families and single women. As long as the Organization operates within various program initiatives and loan covenants for a minimum of 30 years, the Organization shall have no obligation to make principal or interest payments.

In the event of the sale of the properties or noncompliance with program requirements, the obligation is payable in accordance with the stipulated loan provisions. The full amounts of the loans are secured by deeds of trust. The Organization expects to utilize the properties in accordance with the terms of the loans at all times.

8. Line-of-Credit

The Organization has a \$250,000 unsecured line-of-credit with a bank for the purposes of working capital needs. Interest payments on any outstanding balances are made monthly at the Wall Street Journal Prime Rate plus 1%. Borrowings under this facility, including all accrued unpaid interest is due in full on September 11, 2015. During 2014, the Organization paid off the outstanding principal and interest balance and did not borrow against it. There was no outstanding balance on this line-of-credit at June 30, 2014 and 2013.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2014	2013
Program restricted:		
Housing first programs	\$ 12,000	\$ -
Direct client assistance	2,750	-
Other programs	1,818	-
Freddie Mac Foundation – Permanent Supportive Housing for Families and Singles	75,000	16,672
Time restricted:		
Marshall bequest	332,943	-
Total temporarily restricted net assets	<u>\$ 424,511</u>	<u>\$ 16,672</u>

10. Commitments and Contingencies

Operating Leases

The Organization leases office space in Suite C at 8407 Richmond Highway, in a lease that commenced on January 1, 2011, at a base monthly rental of \$2,000 per month. The lease expired on December 31, 2013, and was automatically extended for another two years. The lease has a 3.5% escalation rate of the previous base rent. Deferred rent on this lease is not recorded in the accompanying statements of financial position due to immateriality.

In July 2009, the Organization entered into a new five-year lease to provide facilities to operate the Safe Haven Max's Place program. The lease contained a commencement date retroactive to January 2009, and ended in June 2014. Starting July 2014, this lease continues on a month-to-month basis. The new lease requires monthly payments of \$3,451, which will be adjusted based on HUD's annual fair market rent calculation.

In February 2012, the Organization entered into a new five-year lease to provide facilities to operate the Susan's Place program. The lease commenced on April 1, 2012, and will end on June 30, 2017, with an extension option of an additional five years. The lease requires monthly payments of \$4,000, which will be adjusted based on HUD's annual fair market rent calculation, only if the adjusted rent exceeds the then current base rent.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

10. Commitments and Contingencies (continued)

Operating Leases (continued)

The Organization also leases a number of residential properties that are used in the Organization's housing program. These units are, in turn, leased to individuals in need of housing assistance to fulfill program objectives. All leases are operating leases and have original terms of one to two years.

Total future minimum lease payments under all operating leases are as follows for the years ending June 30:

2015	\$	80,538
2016		76,269
2017		<u>61,767</u>
Total minimum lease payments	\$	<u>218,574</u>

Rent expense under all operating leases for the years ended June 30, 2014 and 2013 was \$349,639 and \$319,361, respectively.

Federal and State Grants

Funds received from federal and other government agencies are subject to an audit under the provisions of the grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such grants are completed, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

General Contingencies

From time to time, the Organization may be a party to lawsuits or have claims pending against it. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims, will not materially affect the financial position of the Organization.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2014 and 2013

11. Retirement Plan

The Organization offers a Section 403(b) thrift plan to its full-time and part-time employees and contributes a discretionary fixed percent of the employees' salaries for all eligible employees. For 2014 and 2013, the Organization contributed 3% and 5%, respectively. Employees are eligible for employer contributions at the end of any plan year after completing one year or 1,000 hours of service, whichever is later. In addition, the Organization makes a matching contribution equal to the lesser of 25 percent of the salary reduction amount contributed during the plan year, or 0.25 percent of the employees' annual compensation. Employee contributions are fully and immediately vested, whereas the employer's contributions are vested ratably over a five-year period. Total retirement plan expenses for the years ended June 30, 2014 and 2013 were \$83,208 and \$116,909, respectively.

12. In-Kind Contributions

During the years ended June 30, 2014 and 2013, the Organization received the following donated goods and services, which have been reflected as in-kind contributions and either capitalized costs or expenses in the accompanying statements of activities and changes in net assets:

	2014	2013
Food	\$ 127,709	\$ 100,434
Professional services	-	51,360
Auction items for special events	29,559	28,775
Furniture	60,547	26,042
Household items	50,777	6,911
Total in-kind contributions	<u>\$ 268,592</u>	<u>\$ 213,522</u>

13. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for taxes has been made as there were no unrelated business activities during fiscal years 2014 and 2013.

The Organization performed an evaluation of uncertain tax positions for the years ended June 30, 2014 and 2013, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2014, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

SUPPLEMENTAL INFORMATION

New Hope Housing, Inc.

Schedule of Functional Expenses
Year Ended June 30, 2014

		Supporting Services			
	Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	Total Expenses
<u>Personnel Costs</u>					
Salaries	\$ 3,495,413	\$ 35,562	\$ 65,582	\$ 101,144	\$ 3,596,557
Payroll taxes	272,867	2,376	7,430	9,806	282,673
Employee benefits	506,301	4,935	5,405	10,340	516,641
Retirement	80,398	(164)	2,975	2,811	83,209
Contract services	27,314	1,548	-	1,548	28,862
<u>Overhead Costs</u>					
Telephone	23,300	1,743	917	2,660	25,960
Interest	-	2,278	-	2,278	2,278
Occupancy	443,296	1,815	335	2,150	445,446
Maintenance	111,101	1,012	-	1,012	112,113
Professional services	17,913	470	1,372	1,842	19,755
Postage/shipping	803	65	4,381	4,446	5,249
Office supplies and printing	31,199	2,633	6,964	9,597	40,796
Other administrative expenses	24,828	16,218	2,691	18,909	43,737
<u>Program and Other Costs</u>					
Staff training and travel	10,236	537	791	1,328	11,564
Food and supplies	36,365	-	-	-	36,365
Donated items	239,035	-	-	-	239,035
Client services	214,261	308	184	492	214,753
<u>Other Costs</u>					
Equipment	-	44,787	-	44,787	44,787
Depreciation	73,319	10,450	-	10,450	83,769
Board of Directors	-	1,308	-	1,308	1,308
Direct benefit to donors	110	-	29,776	29,776	29,886
Total Expenses	\$ 5,608,059	\$ 127,881	\$ 128,803	\$ 256,684	\$ 5,864,743

New Hope Housing, Inc.

Schedule of Functional Expenses
Year Ended June 30, 2013

		<u>Supporting Services</u>			
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>and Direct</u>	<u>Supporting</u>	<u>Expenses</u>
			<u>Benefits</u>	<u>Services</u>	
<u>Personnel Costs</u>					
Salaries	\$ 3,380,423	\$ 30,211	\$ 114,679	\$ 144,890	\$ 3,525,313
Payroll taxes	265,426	2,024	8,928	10,952	276,378
Employee benefits	494,946	1,148	999	2,147	497,093
Retirement	112,429	345	4,133	4,478	116,907
Contract services	66,442	970	-	970	67,412
<u>Overhead Costs</u>					
Telephone	22,688	2,685	1,087	3,772	26,460
Occupancy	397,993	14,658	255	14,913	412,906
Maintenance	77,175	2,397	-	2,397	79,572
Professional services	13,961	683	2,829	3,512	17,473
Postage/shipping	4,210	113	5,338	5,451	9,661
Office supplies and printing	28,361	3,209	7,852	11,061	39,422
Other administrative expenses	28,194	8,638	2,613	11,251	39,445
<u>Program and Other Costs</u>					
Staff training and travel	10,732	388	2,605	2,993	13,725
Food and supplies	35,411	14	-	14	35,425
Donated items	133,387	51,360	-	51,360	184,747
Client services	166,041	75	-	75	166,116
<u>Other Costs</u>					
Equipment	34,832	-	-	-	34,832
Depreciation	69,701	23,126	-	23,126	92,827
Fundraising	-	1,186	-	1,186	1,186
Direct benefit to donors	8,580	186	28,774	28,960	37,540
Total Expenses	\$ 5,350,932	\$ 143,416	\$ 180,092	\$ 323,508	\$ 5,674,440

New Hope Housing, Inc.

Schedule of Program Services
Year Ended June 30, 2014

	Safe			Health Care for							Alexandria			Just			Alexandria			Total Program Services
	Mondloch House	Eleanor Kennedy Shelter	Haven Max's Place	Susan's Place	FCWS	Community Shelter	Milestones	APC / HCHA	Unsheltered Adults	RISE	Next Step Family	FCRHA Units	Turning Point	Stride	Garlan House	Homes	First I & II	Other Program Services*		
Salaries	\$ 426,659	\$ 889,575	\$ 208,680	\$ 224,902	\$ 49,905	\$ 671,933	\$ 56,128	\$ 77,774	\$ 34,541	\$ 54,138	\$ 495,310	\$ 44,493	\$ 14,699	\$ 6,999	\$ 83,668	\$ 10,666	\$ 6,373	\$ 138,970	\$ 3,495,413	
Payroll taxes	33,096	69,808	16,373	17,912	4,105	52,225	4,332	5,928	2,732	4,165	38,239	3,468	1,145	527	6,605	869	520	10,818	272,867	
Employee benefits	59,148	119,155	20,505	37,213	6,376	99,757	9,126	10,671	2,627	8,750	84,798	6,649	2,453	1,393	14,587	1,791	880	20,422	506,301	
Retirement	10,001	19,816	8,592	5,453	1,324	16,023	345	1,226	(250)	949	11,664	840	(428)	245	2,464	346	218	1,570	80,398	
Contract services	7,476	7,016	382	-	385	3,439	-	48	131	208	6,872	171	85	176	925	-	-	-	27,314	
Telephone	2,644	2,042	2,728	3,773	-	3,284	500	1,080	-	550	2,141	-	-	250	3,743	15	-	550	23,300	
Occupancy	12,776	10,661	50,593	55,997	623	8,005	19,585	134,004	131	349	41,899	18,225	3,939	51	8,121	45,551	32,355	431	443,296	
Maintenance	21,217	19,615	4,512	3,766	-	4,227	12,982	1,318	1,638	938	10,841	10,815	2,291	-	16,254	382	54	251	111,101	
Professional services	2,834	2,617	1,061	1,061	150	2,167	1,061	1,117	150	817	2,167	900	150	150	1,061	150	300	-	17,913	
Postage/shipping	134	212	20	38	-	213	-	-	-	-	166	-	-	-	20	-	-	-	803	
Office supplies	6,142	8,927	573	651	140	5,761	117	93	180	72	7,482	165	2	-	365	44	9	476	31,199	
Other administrative expenses	1,364	2,613	156	359	144	1,785	4,695	191	178	64	2,098	10,553	64	64	143	64	64	229	24,828	
Staff training	2,229	2,283	458	465	9	1,669	42	109	46	50	2,251	66	-	-	482	4	-	73	10,236	
Food and supplies	4,048	23,270	3,553	3,317	-	920	-	138	-	115	901	-	-	-	92	-	11	-	36,365	
Donated items	15,625	88,916	21,663	6,892	-	39,212	10,395	4,095	-	650	45,719	-	600	75	1,536	225	150	3,282	239,035	
Client services	13,718	34,129	3,555	6,653	568	103,916	1,463	4,129	4,291	12,131	19,209	2,234	955	2,342	1,652	389	181	2,746	214,261	
Direct benefit to donors	44	22	-	-	-	22	-	-	-	-	22	-	-	-	-	-	-	-	110	
Depreciation	-	10,802	-	3,050	-	-	25,586	-	-	-	-	17,332	3,470	-	13,079	-	-	-	73,319	
Total Expenses	\$ 619,155	\$ 1,311,479	\$ 343,404	\$ 371,502	\$ 63,729	\$ 1,014,538	\$ 146,357	\$ 241,921	\$ 46,395	\$ 83,946	\$ 771,779	\$ 115,911	\$ 29,425	\$ 12,272	\$ 154,797	\$ 60,496	\$ 41,115	\$ 179,818	\$ 5,608,059	

Other Programs include the following:

1. HPRP Community Case Manager
2. State Program Funds
3. Emergency Services
4. HOST
5. EERC
6. Apprenticeship Program
7. PPH

New Hope Housing, Inc.

Schedule of Program Services
Year Ended June 30, 2013

		Safe Haven		Alexandria Community Shelter		Health Care for Unsheltered Adults		Next Step Family		FCRHA Units		Turning Point		Stride		Cartlan House		Just Homes		Other Program Services*		Total Program Services														
		Mondloch House	Eleanor Kennedy Shelter	Max's Place	Susan's Place	FCWS	Shelter	Milestones	HCHA	APS / HCHA	Unsheltered Adults	RISE	Family	Units	Point	Stride	House	Homes	Program Services*																	
Salaries	\$	262,028	\$	955,771	\$	205,163	\$	217,650	\$	48,035	\$	696,549	\$	48,881	\$	75,069	\$	33,954	\$	37,711	\$	523,279	\$	41,167	\$	15,712	\$	14,540	\$	81,956	\$	10,287	\$	112,691	\$	3,380,423
Payroll taxes		20,962		74,700		16,189		17,168		3,988		54,436		3,786		5,799		2,647		2,948		41,025		3,213		1,233		1,138		6,460		801		8,933		265,426
Employee benefits		34,623		135,462		15,939		32,840		5,936		102,175		7,682		11,703		6,060		6,412		85,862		8,395		2,511		2,563		16,837		1,920		18,026		494,946
Retirement		10,303		36,983		2,352		6,748		779		25,646		1,916		3,737		541		1,361		18,770		1,448		588		560		3,392		350		2,955		112,429
Contract services		5,569		6,314		341		105		847		8,191		945		256		585		2,198		40,573		390		-		585		-		-	128		66,442	
Telephone		1,780		2,123		2,545		2,823		-		4,471		610		989		31		610		2,159		-		84		610		3,243		-	610		22,688	
Occupancy		3,740		7,741		49,811		56,961		671		7,258		17,323		132,851		119		90		39,503		18,264		4,033		43		7,387		36,593		15,605		397,993
Maintenance		4,651		15,726		4,281		8,364		-		8,011		4,395		1,139		2,751		365		11,656		8,681		1,025		52		4,661		987		430		77,175
Professional services		2,118		2,043		900		900		318		2,423		500		262		200		318		1,343		1,200		200		318		500		300		118		13,961
Postage shipping and printing		40		1,387		-		11		-		1,375		-		20		-		-		1,365		-		-		-		-	-	-	12		4,210	
Office supplies		2,231		8,516		648		1,002		-		7,347		7		32		81		63		7,531		-		102		-		535		-	266		28,361	
Other administrative expenses		410		1,752		233		7,148		64		1,924		4,460		152		64		64		1,578		9,955		64		64		64		64		134		28,194
Staff training																																				
Food and supplies		1,000		3,632		140		77		-		2,765		-		-		-		-		2,984		-		-		-		-	-	-	134		10,732	
Donated items		7,620		18,176		3,508		3,626		-		1,002		-		67		-		-		1,099		-		-		-		295		-	18		35,411	
Client services		4,729		86,865		5,017		2,792		-		7,307		-		1,670		-		1,200		10,781		285		-		-		2,617		1,050		9,074		133,387
Equipment		3,718		34,693		3,260		4,819		1,499		16,125		3,255		5,597		2,968		3,371		18,010		3,020		1,136		16,174		4,396		296		43,704		166,041
Direct benefit to donors		-		-		-		-		-		-		-		-		-		-		32,850		-		-		-		1,982		-	-	-	34,832	
Depreciation		-		8,580		-		-		-		-		-		-		-		-		-		-		-		-		-	-	-	-	8,580		
		-		-		110		3,050		-		25,647		-		-		1,838		-		5,145		17,332		3,500		-		13,079		-	-	-	69,701	
Total Expenses	\$	365,222	\$	1,394,464	\$	310,437	\$	366,084	\$	62,137	\$	947,005	\$	119,407	\$	239,343	\$	51,234	\$	56,711	\$	845,513	\$	113,350	\$	50,188	\$	36,647	\$	147,404	\$	52,648	\$	212,838	\$	5,350,932

Other Programs include the following:

1. HPRP Community Case Manager
2. State Program Funds
3. Emergency Services
4. HOST
5. EERC
6. Apprenticeship Program
7. PPH

**SUPPLEMENTAL SCHEDULE AND REPORTS REQUIRED
BY OMB CIRCULAR A-133**

**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 of
New Hope Housing, Inc.

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 New Hope Housing, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2014; the related statements of activities and net assets and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated November 11, 2014.

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 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 may exist that have not been identified.

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 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.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia
November 11, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE**

To the Board of Directors of
New Hope Housing, Inc.

Report on Compliance for Each Major Federal Program

We have audited New Hope Housing, Inc.'s ("the Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2014. The Organization's major federal program is 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2014.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

 Rogers & Company LLC

Vienna, Virginia
November 11, 2014

New Hope Housing, Inc.

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

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Agency or Pass-Through Grant Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program:			
<i>Direct Awards:</i>			
Milestones	VA110L3G011205	14.267	\$ 59,971
Safe Haven Max's Place	VA0109L3G011205	14.267	220,000
Gartlan House	VA0115L3G011205	14.267	54,431
Susan's Place	VA0093L3G001205	14.267	250,273
Just Homes	VA0087L3G001202	14.267	30,043
Just Homes	VA0087L3G001303	14.267	16,470
Alexandria Housing First	VA0198L3G031201	14.267	17,302
Alexandria Housing First II	VA0325L3G031200	14.267	18,030
<i>Pass-through Awards:</i>			
Christian Relief Services: S.T.R.I.D.E.	VA0106L3G011205	14.267	7,323
Total Continuum of Care Program			<u>673,843</u>
Supportive Housing Program:			
<i>Direct Awards:</i>			
Gartlan House	VA0115B3G011004	14.235	43,257
Safe Haven Max's Place	VA0109B3G011104	14.235	3,453
Alexandria Housing First	VA0198B3G031100	14.235	2,937
<i>Pass-through Awards:</i>			
RISE	VA0114B3G011104	14.235	38,452
Total Supportive Housing Program			<u>88,099</u>
Other Pass-through Awards:			
VA State ESG-City of Alexandria	14-ESG-423	14.231	150,000
Fairfax County Consolidated Community Funding Pool (CCFP)	4400002978/13	14.218	107,870
Total Other Pass-through Awards			<u>257,870</u>
Total Expenditure of Federal Awards			<u>\$ 1,019,812</u>

See Independent Auditors' Report and accompanying notes to this schedule.

New Hope Housing, Inc.

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

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

2. Loan Assistance

The Organization receives loan assistance from the Fairfax County Redevelopment and Housing Authority (FCRHA) through the U.S. Department of Housing and Urban Development (HUD) programs. Under certain programs, funds are loaned to the Organization for affordable housing acquisition assistance. As long as the Organization operates within various program initiatives and the loan covenants for a minimum of 30 years, the Organization shall have no obligation to make principal or interest payments. The Organization did not receive any funds under this loan assistance program for the year ended June 30, 2014.

The Organization had the following loan obligation balances outstanding at June 30, 2014, for which the federal government imposes continuing compliance requirements:

<u>Federal Grantor/Program Title</u>	<u>Amount Outstanding</u>
<u>U.S. Department of Housing and Urban Development</u>	
Milestones	\$ 53,940
Gartlan House	292,324
<u>Fairfax County Redevelopment and Housing Authority</u>	
Gartlan House	446,242
Claremont House	165,121
Brosar House	128,305
Pondside House	105,540
Brockham House	104,340
Beekman House	60,390
Bedford House	55,134
Total loan obligations	<u>\$ 1,411,336</u>

New Hope Housing, Inc.

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

3. Reconciliation to Financial Statements

Reconciliation of federal expenditures to federal and state grants revenue per the accompanying statement of activities and changes in net assets for the year ended June 30, 2014 is as follows:

Federal expenditures per schedule of expenditures of federal awards	\$ 1,019,812
Add: non-federal grants	206,081
Add: amortization of forgivable loans	<u>26,970</u>
Federal and state grants per statement of activities and changes in net assets	<u>\$ 1,252,863</u>

4. Subrecipients

The Organization did not provide any federal awards to subrecipients for the year ended June 30, 2014.

New Hope Housing, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Section I – Summary of Independent Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of the major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

New Hope Housing, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

Section II – Financial Statement Findings

There were no financial statement findings reported during the 2014 audit.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported during the 2014 audit.

New Hope Housing, Inc.

Schedule of Prior Audit Findings
Year Ended June 30, 2014

There were no findings or questioned costs reported for the 2013 audit.