

**New Hope Housing, Inc.**

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

June 30, 2015 and 2014

**New Hope Housing, Inc.**

Financial Statements  
June 30, 2015 and 2014

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## **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, 2015 and 2014; 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, 2015 and 2014, 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 supplementary 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 supplementary 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 supplementary 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 10, 2015, 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 written in a cursive, slightly stylized font.

Vienna, Virginia  
November 10, 2015

## New Hope Housing, Inc.

### Statements of Financial Position June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash	\$ 916,349	\$ 341,446
Accounts receivable	758,679	1,038,735
Grants receivable	103,998	102,534
Bequest receivable	-	332,943
Prepaid expenses and other assets	9,359	12,120
Investments	477,420	481,797
Property and equipment, net	2,034,438	2,116,627
Total assets	<u>\$ 4,300,243</u>	<u>\$ 4,426,202</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 398,293	\$ 410,059
Client funds payable	28,437	32,596
Advances received	25,409	25,409
Forgivable loans	319,294	346,264
FCRHA loans	1,065,072	1,065,072
Total liabilities	<u>1,836,505</u>	<u>1,879,400</u>
<b>Net Assets</b>		
Unrestricted:		
Undesignated	1,941,971	2,022,291
Board-designated	437,328	100,000
Total unrestricted	2,379,299	2,122,291
Temporarily restricted	84,439	424,511
Total net assets	<u>2,463,738</u>	<u>2,546,802</u>
Total liabilities and net assets	<u>\$ 4,300,243</u>	<u>\$ 4,426,202</u>

See accompanying notes.

**New Hope Housing, Inc.**

Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
County contract services	\$ 3,714,183	\$ -	\$ 3,714,183
Federal and state grants	1,294,407	-	1,294,407
In-kind contributions	275,221	-	275,221
Client rents	156,771	-	156,771
Contributions	137,270	19,127	156,397
Special events	148,953	-	148,953
Foundation grants	79,006	65,000	144,006
Other contract services	82,026	-	82,026
United Way contributions	28,942	-	28,942
Bequest	4,385	-	4,385
Interest and dividends	21,296	-	21,296
Other income	6,377	-	6,377
Released from restrictions	424,199	(424,199)	-
<b>Total operating revenue and support</b>	<b>6,373,036</b>	<b>(340,072)</b>	<b>6,032,964</b>
<b>Expenses</b>			
Program services:			
Shelter	3,665,689	-	3,665,689
Permanent Supportive	1,911,904	-	1,911,904
Rapid Rehousing and other	305,596	-	305,596
<b>Total program services</b>	<b>5,883,189</b>	<b>-</b>	<b>5,883,189</b>
Supporting services:			
Management and general	51,254	-	51,254
Fundraising	124,942	-	124,942
Cost of direct benefit to donors	32,216	-	32,216
<b>Total supporting services</b>	<b>208,412</b>	<b>-</b>	<b>208,412</b>
<b>Total expenses</b>	<b>6,091,601</b>	<b>-</b>	<b>6,091,601</b>
<b>Change in Net Assets from Operations</b>	<b>281,435</b>	<b>(340,072)</b>	<b>(58,637)</b>
<b>Non-Operating Activities</b>			
Unrealized loss	(30,975)	-	(30,975)
Realized gain	6,548	-	6,548
<b>Total non-operating activities</b>	<b>(24,427)</b>	<b>-</b>	<b>(24,427)</b>
<b>Change in Net Assets</b>	<b>257,008</b>	<b>(340,072)</b>	<b>(83,064)</b>
<b>Net Assets, beginning of year</b>	<b>2,122,291</b>	<b>424,511</b>	<b>2,546,802</b>
<b>Net Assets, end of year</b>	<b>\$ 2,379,299</b>	<b>\$ 84,439</b>	<b>\$ 2,463,738</b>

See accompanying notes.

**New Hope Housing, Inc.**

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

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
County contract services	\$ 3,500,179	\$ -	\$ 3,500,179
Federal and state grants	1,178,922	-	1,178,922
In-kind contributions	268,592	-	268,592
Client rents	151,654	-	151,654
Contributions	168,191	-	168,191
Special events	136,040	-	136,040
Foundation grants	292,610	89,750	382,360
Other contract services	67,485	-	67,485
United Way contributions	27,685	-	27,685
Bequest	-	332,943	332,943
Interest and dividends	23,236	-	23,236
Released from restrictions	14,854	(14,854)	-
<b>Total operating revenue and support</b>	<b>5,829,448</b>	<b>407,839</b>	<b>6,237,287</b>
<b>Expenses</b>			
Program services:			
Shelter	3,520,655	-	3,520,655
Permanent Supportive	1,788,767	-	1,788,767
Rapid Rehousing and other	298,637	-	298,637
<b>Total program services</b>	<b>5,608,059</b>	<b>-</b>	<b>5,608,059</b>
Supporting services:			
Management and general	127,881	-	127,881
Fundraising	99,027	-	99,027
Cost of direct benefit to donors	29,776	-	29,776
<b>Total supporting services</b>	<b>256,684</b>	<b>-</b>	<b>256,684</b>
<b>Total expenses</b>	<b>5,864,743</b>	<b>-</b>	<b>5,864,743</b>
<b>Change in Net Assets from Operations</b>	<b>(35,295)</b>	<b>407,839</b>	<b>372,544</b>
<b>Non-Operating Activities</b>			
Unrealized gain	10,180	-	10,180
Realized gain	58,760	-	58,760
<b>Total non-operating activities</b>	<b>68,940</b>	<b>-</b>	<b>68,940</b>
<b>Change in Net Assets</b>	<b>33,645</b>	<b>407,839</b>	<b>441,484</b>
<b>Net Assets, beginning of year</b>	<b>2,088,646</b>	<b>16,672</b>	<b>2,105,318</b>
<b>Net Assets, end of year</b>	<b>\$ 2,122,291</b>	<b>\$ 424,511</b>	<b>\$ 2,546,802</b>

See accompanying notes.

**New Hope Housing, Inc.**

Statements of Cash Flows  
For the Years Ended June 30, 2015 and 2014

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (83,064)	\$ 441,484
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	82,189	83,769
Net realized and unrealized loss (gain) on investments	24,427	(68,940)
Forgivable loans	(26,970)	(26,970)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	280,056	(612,454)
Grants receivable	(1,464)	(41,370)
Bequest receivable	332,943	(332,943)
Prepaid expenses and other assets	2,761	(999)
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,766)	37,615
Client funds payable	(4,159)	13,580
	<u>594,953</u>	<u>(507,228)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(125,067)	(146,263)
Proceeds from sales of investments	105,017	467,704
	<u>(20,050)</u>	<u>321,441</u>
<b>Net Increase (Decrease) in Cash</b>	574,903	(185,787)
<b>Cash, beginning of year</b>	<u>341,446</u>	<u>527,233</u>
<b>Cash, end of year</b>	<u>\$ 916,349</u>	<u>\$ 341,446</u>

*See accompanying notes.*

## New Hope Housing, Inc.

Notes to the Financial Statements  
June 30, 2015 and 2014

### 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. 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 reserve in the amount of \$437,328 and \$100,000 for the years ended June 30, 2015 and 2014, respectively.
- *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.

#### 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, 2015 and 2014. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

#### 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, 2015, there were no bequests receivable. At June 30, 2014, the Organization had a bequest receivable from one individual donor of \$332,943.

## **New Hope Housing, Inc.**

Notes to the Financial Statements  
June 30, 2015 and 2014

### **2. Summary of Significant Accounting Policies (continued)**

#### 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.

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.

## **New Hope Housing, Inc.**

Notes to the Financial Statements  
June 30, 2015 and 2014

### **2. Summary of Significant Accounting Policies (continued)**

#### 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*.

#### Measure of Operations

Investment income, which is comprised of realized and unrealized gains and losses, and related investment fees, is considered non-operating activity. The Organization does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying statements of activities and changes in net assets.

#### 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.

#### 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.

#### Reclassification of Prior Year Presentation

During fiscal year 2015, the Organization revised the categories of certain revenues and expenses within the program services in the accompanying statements of activities and changes in net assets to provide a more comprehensive and succinct presentation. These reclassifications had no effect on the reported change in net assets.

## **New Hope Housing, Inc.**

Notes to the Financial Statements  
June 30, 2015 and 2014

### **2. Summary of Significant Accounting Policies (continued)**

#### New Accounting Developments

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers* (Topic 606). ASU 2014-09 supersedes most existing revenue recognition guidance under accounting principles generally accepted in the United States. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services using a defined five-step process. More judgment and estimates may be required to achieve this principle than under existing accounting principles generally accepted in the United States of America. ASU 2014-09 is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption, which includes additional footnote disclosures. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 10, 2015, the date the financial statements were available to be issued.

Subsequent to year end, the line-of-credit held by the Organization expired and was not renewed. See Note 8 for further details.

### **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.

## **New Hope Housing, Inc.**

Notes to the Financial Statements  
June 30, 2015 and 2014

### **3. Concentrations of Risk (continued)**

#### 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, 2015 and 2014, the Organization recognized \$4,981,620 and \$4,652,131, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 83% and 74%, respectively, of total revenue. Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations.

### **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.

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.

## New Hope Housing, Inc.

### Notes to the Financial Statements June 30, 2015 and 2014

#### 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:

	Level 1	Level 2	Level 3	Total
<u>2015</u>				
Mutual funds:				
U.S. equities	\$ 131,235	\$ -	\$ -	\$ 131,235
Taxable bond funds	81,198	-	-	81,198
International equities	61,989	-	-	61,989
Growth real estate	58,655	-	-	58,655
Small company	38,438	-	-	38,438
Treasury inflation protected securities	25,199	-	-	25,199
International bonds	22,972	-	-	22,972
Commodities	21,021	-	-	21,021
Energy/natural resources	19,184	-	-	19,184
Aggressive international	10,804	-	-	10,804
Total mutual funds	470,695	-	-	470,695
Money market funds	6,725	-	-	6,725
Total investments	<u>\$ 477,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,420</u>
<u>2014</u>				
Mutual funds:				
U.S. equities	\$ 129,043	\$ -	\$ -	\$ 129,043
Taxable bond funds	80,448	-	-	80,448
International equities	64,431	-	-	64,431
Growth real estate	57,660	-	-	57,660
Small company	36,828	-	-	36,828
Treasury inflation protected securities	25,667	-	-	25,667
Energy/natural resources	25,578	-	-	25,578
International bonds	23,725	-	-	23,725
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	<u>\$ 481,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,797</u>

## New Hope Housing, Inc.

### Notes to the Financial Statements June 30, 2015 and 2014

#### 4. Investments and Fair Value Measurements (continued)

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 21,296	\$ 23,236
Unrealized (loss) gain	(30,975)	10,180
Realized gain	<u>6,548</u>	<u>58,760</u>
Total investment (loss) income	<u>\$ (3,131)</u>	<u>\$ 92,176</u>

#### 5. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 695,364	\$ 695,364
Buildings and improvements	2,062,925	2,062,925
Furniture and fixtures	<u>193,880</u>	<u>219,227</u>
Total property and equipment	2,952,169	2,977,516
Less: accumulated depreciation and amortization	<u>(917,731)</u>	<u>(860,889)</u>
Property and equipment, net	<u>\$ 2,034,438</u>	<u>\$ 2,116,627</u>

#### 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.

## **New Hope Housing, Inc.**

### Notes to the Financial Statements June 30, 2015 and 2014

#### **6. Forgivable Loans (continued)**

The Organization began the amortization of this loan in 2007, and will continue to amortize the loan until 2016. Revenue totaling \$26,970 was recognized for both years ended June 30, 2015 and 2014, and is included in federal and state grants revenue in the accompanying statements of activities and changes in net assets.

In addition, 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%. There was no outstanding balance on this line-of-credit at June 30, 2015 and 2014.

Subsequent to year end, the line-of-credit expired on September 11, 2015 and was not renewed.

## New Hope Housing, Inc.

### Notes to the Financial Statements June 30, 2015 and 2014

#### 9. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Program restricted:		
Housing first programs	\$ 37,500	\$ 87,000
Direct client assistance	-	2,750
Other programs	16,939	1,818
Time restricted:		
Marshall bequest	-	332,943
Other programs	30,000	-
Total temporarily restricted net assets	<u>\$ 84,439</u>	<u>\$ 424,511</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, 2015 and 2014

**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 three years.

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

2016	\$	339,693
2017		235,712
2018		<u>66,895</u>
Total future minimum lease payments	\$	<u>642,300</u>

Rent expense under all operating leases for the years ended June 30, 2015 and 2014 was \$450,384 and \$349,639, 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, 2015 and 2014

#### 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. The Organization contributed 3% for both years ended June 30, 2015 and 2014. 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, 2015 and 2014 were \$105,506 and \$83,209, respectively.

#### 12. In-Kind Contributions

During the years ended June 30, 2015 and 2014, 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:

	2015	2014
Furniture and household items	\$ 129,817	\$ 111,324
Food	113,386	127,709
Auction items for special events	32,018	29,559
Total in-kind contributions	<u>\$ 275,221</u>	<u>\$ 268,592</u>

#### 13. Income Taxes

The Organization is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no unrelated business taxable income. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management evaluated the Organization's tax positions and concluded that the Organization's financial statements do not include any uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

**SUPPLEMENTARY INFORMATION**

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## New Hope Housing, Inc.

### Schedule of Functional Expenses For the Year Ended June 30, 2015

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	
<u>Personnel Costs</u>					
Salaries	\$ 3,496,636	\$ 13,184	\$ 90,303	\$ 103,487	\$ 3,600,123
Payroll taxes	274,263	1,371	7,028	8,399	282,662
Employee benefits	504,135	3,794	11,227	15,021	519,156
Retirement	104,283	531	692	1,223	105,506
Contract services	30,838	2,028	900	2,928	33,766
<u>Overhead Costs</u>					
Telephone	26,918	2,034	1,018	3,052	29,970
Occupancy	575,148	1,521	450	1,971	577,119
Maintenance	127,835	424	-	424	128,259
Professional services	24,268	1,341	1,504	2,845	27,113
Postage and shipping	4,144	-	1,118	1,118	5,262
Office supplies and printing	27,362	3,063	4,926	7,989	35,351
Other administrative expenses	9,999	12,199	5,730	17,929	27,928
<u>Program and Other Costs</u>					
Staff training and travel	15,842	94	23	117	15,959
Food and supplies	42,548	-	-	-	42,548
Donated items	243,203	-	-	-	243,203
Client services	299,377	185	23	208	299,585
<u>Other Costs</u>					
Equipment	3,548	-	-	-	3,548
Depreciation and amortization	72,842	9,347	-	9,347	82,189
Board of Directors	-	138	-	138	138
Direct benefit to donors	-	-	32,216	32,216	32,216
<b>Total Expenses</b>	<b>\$ 5,883,189</b>	<b>\$ 51,254</b>	<b>\$ 157,158</b>	<b>\$ 208,412</b>	<b>\$ 6,091,601</b>

## New Hope Housing, Inc.

### Schedule of Functional Expenses For the Year Ended June 30, 2014

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	
<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	24,830	16,218	2,691	18,909	43,739
<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	239,033	-	-	-	239,033
Client services	214,261	308	184	492	214,753
<u>Other Costs</u>					
Equipment	-	44,787	-	44,787	44,787
Depreciation and amortization	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
<b>Total Expenses</b>	<b>\$ 5,608,059</b>	<b>\$ 127,881</b>	<b>\$ 128,803</b>	<b>\$ 256,684</b>	<b>\$ 5,864,743</b>

## New Hope Housing, Inc.

### Schedule of Program Services For the Year Ended June 30, 2015

	Shelter	Permanent Supportive	Rapid Rehousing and Other	Total Program Services
<u>Personnel Costs</u>				
Salaries	\$ 2,406,786	\$ 947,553	\$ 142,297	\$ 3,496,636
Payroll taxes	188,052	75,034	11,177	274,263
Employee benefits	351,964	131,095	21,076	504,135
Retirement	74,807	27,110	2,366	104,283
Contract services	24,021	6,817	-	30,838
<u>Overhead Costs</u>				
Telephone	10,516	16,402	-	26,918
Occupancy	96,065	461,287	17,796	575,148
Maintenance	50,328	73,370	4,137	127,835
Professional services	15,233	8,808	227	24,268
Postage and shipping	673	3,402	69	4,144
Office supplies and printing	22,871	4,408	83	27,362
Other administrative expenses	7,845	2,054	100	9,999
<u>Program and Other Costs</u>				
Staff training and travel	12,069	3,700	73	15,842
Food and supplies	36,982	5,566	-	42,548
Donated items	198,475	41,070	3,658	243,203
Client services	155,128	45,182	99,067	299,377
<u>Other Costs</u>				
Equipment	3,548	-	-	3,548
Depreciation and amortization	10,326	59,046	3,470	72,842
<b>Total Program Services</b>	<b>\$ 3,665,689</b>	<b>\$ 1,911,904</b>	<b>\$ 305,596</b>	<b>\$ 5,883,189</b>

**New Hope Housing, Inc.**

Schedule of Program Services  
For the Year Ended June 30, 2014

	Shelter	Permanent Supportive	Rapid Rehousing and Other	Total Program Services
<u>Personnel Costs</u>				
Salaries	\$ 2,412,169	\$ 929,839	\$ 153,405	\$ 3,495,413
Payroll taxes	187,995	72,875	11,997	272,867
Employee benefits	352,415	133,634	20,252	506,301
Retirement	55,395	23,960	1,043	80,398
Contract services	19,739	7,314	261	27,314
<u>Overhead Costs</u>				
Telephone	10,020	13,030	250	23,300
Occupancy	84,117	354,765	4,414	443,296
Maintenance	42,391	66,168	2,542	111,101
Professional services	8,968	8,645	300	17,913
Postage and shipping	666	137	-	803
Office supplies and printing	25,221	5,519	459	31,199
Other administrative expenses	7,626	16,930	274	24,830
<u>Program and Other Costs</u>				
Staff training and travel	7,364	2,823	49	10,236
Food and supplies	28,794	7,571	-	36,365
Donated items	188,061	47,016	3,956	239,033
Client services	78,824	39,473	95,964	214,261
<u>Other Costs</u>				
Depreciation and amortization	10,802	59,046	3,471	73,319
Direct benefit to donors	88	22	-	110
<b>Total Program Services</b>	<b>\$ 3,520,655</b>	<b>\$ 1,788,767</b>	<b>\$ 298,637</b>	<b>\$ 5,608,059</b>

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

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors 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, 2015; 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 10, 2015.

***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 in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
November 10, 2015

**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, 2015. 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, 2015.

***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.



Vienna, Virginia  
November 10, 2015

**New Hope Housing, Inc.**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

<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>			
Alexandria Housing First	VA0198L3G031201	14.267	\$ 19,270
Alexandria Housing First	VA0198L3G031302	14.267	1,628
Alexandria Housing First II	VA0236L3G031300	14.267	67,955
Alexandria Housing First III	VA0214L3G031200	14.267	2,249
Alexandria Housing First III	VA0214L3G031301	14.267	19,191
Fairfax Just Homes	VA0218L3G011300	14.267	45,310
Gartlan House	VA0115L3G011205	14.267	49,418
Gartlan House	VA0115L3G011306	14.267	59,133
Just Homes	VA0087L3G001303	14.267	31,163
Just Homes	VA0087L3G001404	14.267	17,387
Milestones	VA0110L3G011306	14.267	60,905
Safe Haven Max's Place	VA0109L3G011205	14.267	5,336
Safe Haven Max's Place	VA0109L3G011306	14.267	219,489
Susan's Place	VA0093L3G001306	14.267	250,273
<i>Pass-through Awards:</i>			
RISE	VA0114B3G011306	14.267	<u>47,231</u>
Total Continuum of Care Program			<u>895,938</u>
Supportive Housing Program:			
<i>Pass-through Awards:</i>			
RISE	VA0114B3G011104	14.235	<u>8,175</u>
Total Supportive Housing Program			<u>8,175</u>
Other Pass-through Awards:			
Child Care for Homeless Children Program	15-CC-58	14.231	22,601
VA State ESG-City of Alexandria	15-ESG-423	14.231	41,927
Virginia Homeless Solutions Program	15-VHSP-58	14.231	<u>34,561</u>
Total Other Pass-through Awards			<u>99,089</u>
Total Expenditure of Federal Awards			<u>\$ 1,003,202</u>

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

## New Hope Housing, Inc.

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015

#### 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, 2015.

The Organization had the following loan obligation balances outstanding at June 30, 2015, 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>	
Gartlan House	\$ 292,324
Milestones	26,970
<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>\$ 1,384,366</u>

**New Hope Housing, Inc.**

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

**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, 2015 is as follows:

Federal expenditures per schedule of expenditures of federal awards	\$ 1,003,202
Add: non-federal grants	264,235
Add: amortization of forgivable loans	<u>26,970</u>
Federal and state grants per statement of activities and changes in net assets	<u>\$ 1,294,407</u>

**4. Subrecipients**

The Organization did not provide any federal awards to subrecipients for the year ended June 30, 2015.

**New Hope Housing, Inc.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**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, 2015

**Section II – Financial Statement Findings**

There were no financial statement findings reported during the 2015 audit.

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported during the 2015 audit.

**New Hope Housing, Inc.**

Schedule of Prior Audit Findings  
Year Ended June 30, 2015

There were no findings or questioned costs reported for the 2014 audit.