New Hope Housing, Inc.

Financial Statements
and Independent Auditors' Report

OMB Circular A-133 Reports

June 30, 2011 and 2010

New Hope Housing, Inc.

Consolidated Financial Statements
June 30, 2011 and 2010

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Hope Housing, Inc.

We have audited the accompanying statements of financial position of New Hope Housing, Inc. ("the Organization") as of June 30, 2011 and 2010, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 9, 2011, on our consideration of the internal control of the Organization over financial reporting and on our test of their 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information 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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rogers + Company PLLC

Vienna, Virginia
November 9, 2011

New Hope Housing, Inc.

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Cash	$ 708,552	$ 398,766
Accounts receivable, net	115,492	85,299
Grants receivable	264,090	167,905
Prepaid expenses and other assets	908	6,848
Investments	676,460	926,396
Property and equipment, net	2,357,773	2,177,865
Total assets	$ 4,123,275	$ 3,763,079
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 298,161	$ 207,925
Client funds payable	22,805	18,653
Advances received	18,911	-
Forgivable loans	701,574	728,544
FCRHA loans	1,065,072	771,646
Note payable	92,584	98,329
Total liabilities	2,199,107	1,825,097
Net Assets		
Unrestricted:		
Undesignated	1,774,168	1,790,148
Board designated	100,000	100,000
Total unrestricted	1,874,168	1,890,148
Temporarily restricted	50,000	47,834
Total net assets	1,924,168	1,937,982
Total liabilities and net assets	$ 4,123,275	$ 3,763,079

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities and Change in Net Assets
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
County contract services	$ 3,297,636	$ -	$ 3,297,636
Federal and state grants	1,101,532	-	1,101,532
Foundation grants	237,670	50,000	287,670
Special events	143,578	-	143,578
In-kind contributions	295,843	-	295,843
Contributions	159,358	-	159,358
Client rents	99,670	-	99,670
Other contract services	57,890	-	57,890
Investment income	111,802	-	111,802
United Way contribution	35,297	-	35,297
Net assets released from restrictions	47,834	(47,834)	-
Total revenue and support	5,588,110	2,166	5,590,276
Expenses			
Program services:			
Mondloch House	1,412,989	-	1,412,989
Eleanor Kennedy Shelter	1,296,082	-	1,296,082
Alexandria City Shelter	631,607	-	631,607
Susan's Place	335,518	-	335,518
Safe Haven Max's Place	303,804	-	303,804
APS/ HCHA	230,975	-	230,975
Milestones	152,734	-	152,734
Gartlan House	148,358	-	148,358
FCRHA Units	113,699	-	113,699
PPH	73,620	-	73,620
FCWS	56,546	-	56,546
Just Homes	53,994	-	53,994
RISE	45,527	-	45,527
Turning Point	37,743	-	37,743
Health Care for Unsheltered Adults	36,297	-	36,297
Stride	28,033	-	28,033
Other program services	255,408	-	255,408
Total program services	5,212,934	-	5,212,934
Supporting services:			
Management and general	260,002	-	260,002
Fundraising	106,104	-	106,104
Cost of direct benefits to donors	25,050	-	25,050
Total supporting services	391,156	-	391,156
Total expenses	5,604,090	-	5,604,090
Change in Net Assets	(15,980)	2,166	(13,814)
Net Assets, beginning of year	1,890,148	47,834	1,937,982
Net Assets, end of year	$ 1,874,168	$ 50,000	$ 1,924,168

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities and Change in Net Assets
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
County contract services	$ 2,576,363	$ -	$ 2,576,363
Federal and state grants	1,063,389	-	1,063,389
Foundation grants	173,734	52,500	226,234
Special events	134,083	-	134,083
In-kind contributions	139,756	-	139,756
Contributions	197,234	-	197,234
Client rents	98,099	-	98,099
Other contract services	66,697	-	66,697
Investment income	72,201	-	72,201
United Way contribution	40,505	-	40,505
Other income	5,698	-	5,698
Net assets released from restrictions	31,360	(31,360)	-
Total revenue and support	4,599,119	21,140	4,620,259
Expenses			
Program services:			
Mondloch House	1,252,279	-	1,252,279
Eleanor Kennedy Shelter	1,207,581	-	1,207,581
Safe Haven Max's Place	306,190	-	306,190
Susan's Place	304,833	-	304,833
Contract Services and E.E.R.C.	253,878	-	253,878
Gartlan House	206,291	-	206,291
Milestones	102,529	-	102,529
Housing First	197,943	-	197,943
PPH	80,399	-	80,399
RISE	62,434	-	62,434
Other TH	34,064	-	34,064
FCRHA Units	101,964	-	101,964
HCSUHP	36,436	-	36,436
Stride	25,061	-	25,061
Other program services	76,922	-	76,922
Total program services	4,248,804	-	4,248,804
Supporting services:			
Management and general	163,503	-	163,503
Fundraising	115,939	-	115,939
Cost of direct benefits to donors	17,641	-	17,641
Total supporting services	297,083	-	297,083
Total expenses	4,545,887	-	4,545,887
Change in Net Assets	53,232	21,140	74,372
Net Assets, beginning of year	1,836,916	26,694	1,863,610
Net Assets, end of year	$ 1,890,148	$ 47,834	$ 1,937,982

See accompanying notes.

New Hope Housing, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ (13,814)	$ 74,372
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	94,740	79,567
Loss on disposal of property and equipment	2,000	-
Net realized and unrealized gain on investments	(92,226)	(55,016)
Loans forgiven	(26,970)	(26,970)
Change in operating assets and liabilities:		
(Increase) decrease:		
Accounts receivable, net	(30,193)	(44,074)
Grants receivable	(96,185)	(88,716)
Prepaid expenses and other assets	5,940	10,866
Increase (decrease):		
Accounts payable and accrued expenses	90,236	(4,902)
Client funds payable	4,152	5,423
Advances received	18,911	-
Net cash used in operating activities	(43,409)	(49,450)
Cash Flows from Investing Activities		
Net sales of investments	342,162	138,015
Purchase of property and equipment	(276,648)	(154,975)
Net cash provided by (used in) investing activities	65,514	(16,960)
Cash Flows from Financing Activities		
Proceeds from loans	293,426	-
Principal repayments of notes payable	(5,745)	(5,371)
Net cash provided by (used in) financing activities	287,681	(5,371)
Net Increase (Decrease) in Cash	309,786	(71,781)
Cash, beginning of year	398,766	470,547
Cash, end of year	$ 708,552	$ 398,766
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 6,395	$ 6,769

See accompanying notes.

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 was formed to provide housing for families or individuals who may be in need of relief, and to conduct programs and projects directed towards the treatment of personal, economic, and social needs of families or individuals. The programs operated by the Organization are: Shelter Programs, Transitional and Supportive Housing, and Homeless Prevention.

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 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.

Classification of Net Assets

- *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, 2011 and 2010.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time. At June 30, 2011 and 2010, temporarily restricted net assets were $50,000 and $47,834, respectively.

Accounts and Grants Receivable

The Organization's accounts and grants receivable are all due in less than one year and are recorded at net realizable value at June 30, 2011 and 2010. No allowance for doubtful accounts is recorded as the management believes that all receivables are fully collectible.

Investments

Investments at June 30, 2011 and 2010 consisted of mutual funds, money market funds, and exchange traded funds. Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses are included in the accompanying statements of activities and change in net assets.

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

In August 2010, the Organization sold Pershing LLC investments and transferred funds in amount of $357,000 to the operating account.

Property and Equipment

Property and equipment purchased at a cost of $500 or more and 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.

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 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.

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 Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Organization follows ASC 820, *Fair Value Measurements and Disclosures,* for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad 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.

The Organization follows ASC 825-10, *Financial Instruments,* which allows entities the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. At adoption, the effect of the first remeasurement to fair value is recorded as a cumulative effect adjustment to the opening balance of unrestricted net assets. The Organization did not elect to measure any additional eligible financial assets or financial liabilities at fair value. Accordingly, adoption of this standard had no impact on the Organization's results of operations or financial position.

In addition, the Organization follows Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Assets Value per Share (or its Equivalent),* which has amended the existing guidance in ASC 820. This guidance permits, as a practical expedient, the fair value of investments that do not have a quoted market price to be estimated using net asset value (NAV) per share or its equivalent. At June 30, 2011 and 2010, the Organization did not have any investments requiring to be valued using NAV.

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 change 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.

3. Concentration 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 and investments with various financial institutions, which from time to time may 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. For the years ended June 30, 2011 and 2010, the Organization recognized $4,062,983 and $2,845,820, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 73% and 62%, respectively, of total revenue. The Organization diversifies its funding among the three independent agencies to mitigate any concentration of credit risk. In addition, in October 2010, the Organization entered into a program agreement with the City Of Alexandria to manage and operate the Alexandria Community Shelter.

4. Investments

Investments, at fair value, consist of the following at June 30:

	2011	2010
Mutual funds	$ 620,477	$ 523,680
Money market funds	35,401	387,514
Exchange traded funds	20,582	15,202
Total investments	$ 676,460	$ 926,396

4. Investments (continued)

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

	2011	2010
Interest and dividends	$ 19,576	$ 17,185
Unrealized gain	96,828	75,047
Realized loss	(4,602)	(20,031)
Total investment income	$ 111,802	$ 72,201

5. Fair Value Measurements

Fair value of assets measured on a recurring basis is as follows as of June 30:

	Total fair value	Level 1	Level 2	Level 3
2011				
Investments:				
Mutual funds	$ 620,477	$ 620,477	$ -	$ -
Money market funds	35,401	35,401	-	-
Exchange traded funds	20,582	20,582	-	-
Total investments	$ 676,460	$ 676,460	$ -	$ -
2010				
Investments:				
Mutual funds	$ 523,680	$ 523,680	$ -	$ -
Money market funds	387,514	387,514	-	-
Exchange traded funds	15,202	15,202	-	-
Total investments	$ 926,396	$ 926,396	$ -	$ -

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Mutual, money market, and exchange traded funds are valued using the net asset value (NAV) of shares held at year end. At June 30, 2011, the underlying investments for mutual funds totaled $213,334 in equities and $407,143 in fixed income. At June 30, 2010, the underlying investments for mutual funds totaled $296,882 in equities and $226,798 in fixed income. There were no level 2 or level 3 financial assets at June 30, 2011 and 2010.

6. Property and Equipment

The Organization held the following property and equipment at June 30:

	2011	2010
Land	$ 695,364	$ 641,364
Buildings and improvements	2,245,681	2,033,562
Leasehold improvements	310,774	302,251
Total property and equipment	3,251,819	2,977,177
Less: accumulated depreciation and amortization	(894,046)	(799,312)
Property and equipment, net	$ 2,357,773	$ 2,177,865

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 was $94,740 and $79,567, respectively.

7. Forgivable Loans

In May 1996 and September 2007, the Organization received funds from the Commonwealth of Virginia Department of Housing and Community Development (DHCD) and U.S. Department of Housing and Urban Development (HUD) for assistance at closing on purchases of post-shelter housing units in the form of loans. These loans will be forgiven if certain covenants are met. Under these grant covenants, the loan from DHCD will be forgiven entirely after operating the supportive housing units for 15 years and two loans from HUD will be reduced by 10 percent for each year beyond the ten-year period in which the project is used for supportive housing. The Organization fully expects to fulfill all conditions associated with the above grants.

Once the loans' conditions are met, the applicable portion of the loan is reduced and recorded as revenue. The HUD loan that was received in 1996 was reduced by $26,970 for both fiscal years 2011 and 2010. The amortization of the second HUD loan that was received in fiscal year 2008 will commence in fiscal year 2018.

8. 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 the acquisition residences to be operated as permanent supportive housing for chronically homeless families and chronically homeless single women.

8. FCRHA Loans (continued)

For 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 loans terms at all times.

9. Note Payable

During the year ended June 30, 2007, the Organization refinanced a mortgage note on the office buildings and related improvements. The new note bears interest at 6.75% per annum and is payable in monthly installments of principal and interest totaling $1,012. The note contains a balloon payment, requiring payment of all unpaid principal and interest on February 25, 2012. The note is secured by all buildings and related improvements. Future minimum maturities on the note payable are $92,584 for the year ending June 30, 2012. Interest expense incurred was $6,395 and $6,769 for the years ended June 30, 2011 and 2010, respectively.

10. Commitments

Operating Leases

The Organization leases office space under an operating lease that expired in June 2004 and continued since then on a month-to-month basis at a rate of $910 per month until December 31, 2010.

In December 2010, the Organization entered into a lease for the entire office space in Suite C at 8407 Richmond Highway, an additional 600 square feet, that commenced on January 1, 2011 at a base monthly rental of $2,000 per month and expires on December 31, 2013, with an additional two-year extension option. The lease has a 3.5% escalation rate of the previous base rent. Rent expense in excess of rental payments under this lease is not recognized as deferred rent in the accompanying financial statements due to immateriality.

Residential properties are leased for use 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 year.

10. Commitments (continued)

Operating Leases (continued)

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 will end in June of 2014 with an extension option of additional five years. The new lease calls for monthly payments of $3,451, which will be adjusted based on HUD's annual fair market rents calculation. Accordingly, since annual increase of the base rent is not determinable, a deferred rent liability has not been recorded in the accompanying statements of financial position.

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

2012	$	65,832
2013		66,684
2014		54,264
Total minimum lease payments	$	186,780

Rent expense under all operating leases for the years ended June 30, 2011 and 2010 was $304,000 and $277,278, 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 closed out, there exists a contingency to refund any amount 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.

11. Temporarily Restricted Net Assets

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

	2011	2010
Program restricted:		
Freddie Mac Foundation - Milestones and RISE	$ 50,000	$ -
Philip Graham - Milestones Units	-	40,334
Gannett - Education	-	7,500
Total temporarily restricted net assets	$ 50,000	$ 47,834

12. Retirement Plans

The Organization offers a Section 403(b) thrift plan to its full-time and part-time employees and contributes five percent of the employees' salary for all eligible employees. 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 matches 25 percent of the employee contribution up to one percent of the employee's salary. 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, 2011 and 2010 were $122,155 and $98,785, respectively.

13. In-Kind Contributions

During the years ended June 30, 2011 and 2010, 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 change in net assets:

	2011	2010
Food	$ 125,766	$ 97,043
Household items	4,474	25,072
Auction items for special events	25,880	17,641
Furniture	11,327	-
Professional services	128,396	-
Total in-kind contributions	$ 295,843	$ 139,756

14. 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 2011 and 2010.

The Organization performed an evaluation of uncertain tax positions for the years ended June 30, 2011 and 2010, 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.

For the year ended June 30, 2011, the statute of limitations for tax years 2009 through 2010 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

15. Subsequent Events

The Organization follows the guidance of FASB ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before the financial statements are issued. FASB ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events. In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2011, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

New Hope Housing, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2011

		Supporting Services			
	Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	Total Expenses
Personnel Costs					
Salaries	$ 3,248,328	$ 47,169	$ 73,156	$ 120,325	$ 3,368,653
Payroll taxes	262,444	3,141	6,112	9,253	271,697
Employee benefits	459,742	7,338	2,610	9,948	469,690
Retirement	115,411	3,100	3,644	6,744	122,155
Contract services	2,760	-	-	-	2,760
Overhead Costs					
Telephone	12,986	2,447	1,017	3,464	16,450
Interest	-	6,395	-	6,395	6,395
Occupancy	394,000	26,100	287	26,387	420,387
Maintenance	97,935	3,115	-	3,115	101,050
Professional services	1,416	4,633	1,872	6,505	7,921
Postage/shipping	2,839	323	5,409	5,732	8,571
Office supplies and printing	34,023	4,025	7,218	11,243	45,266
Other administrative expense	22,654	139,047	2,624	141,671	164,325
Program and Other Costs					
Staff training and travel	23,212	1,664	115	1,779	24,991
Food and supplies	53,096	69	-	69	53,165
Donated items	141,557	840	-	840	142,397
Client services	252,790	440	45	485	253,275
Other Costs					
Equipment	2,522	-	-	-	2,522
Depreciation	85,219	9,521	-	9,521	94,740
Fundraising	-	635	1,995	2,630	2,630
Direct benefits to donors	-	-	25,050	25,050	25,050
Total Expenses	$ 5,212,934	$ 260,002	$ 131,154	$ 391,156	$ 5,604,090

New Hope Housing, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2010

		Supporting Services			
	Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	Total Expenses
<u>Personnel Costs</u>					
Salaries	$ 2,514,674	$ 85,801	$ 82,920	$ 168,721	$ 2,683,395
Payroll taxes	199,120	6,838	6,473	13,311	212,431
Employee benefits	403,753	5,029	3,234	8,263	412,016
Retirement	93,085	1,832	3,868	5,700	98,785
Contract services	1,156	-	-	-	1,156
<u>Overhead Costs</u>					
Telephone	17,325	2,147	1,074	3,221	20,546
Interest	-	6,769	-	6,769	6,769
Occupancy	361,121	15,504	2,941	18,445	379,566
Maintenance	148,424	1,419	-	1,419	149,843
Professional services	3,178	3,203	572	3,775	6,953
Postage/shipping	5,200	747	4,257	5,004	10,204
Office supplies and printing	24,657	6,641	6,029	12,670	37,327
Other administrative expense	39,049	17,669	3,312	20,981	60,030
<u>Program and Other Costs</u>					
Staff training and travel	15,448	1,661	432	2,093	17,541
Food and supplies	44,523	78	-	78	44,601
Donated items	122,115	-	-	-	122,115
Client services	180,267	2,911	827	3,738	184,005
<u>Other Costs</u>					
Depreciation	75,709	3,858	-	3,858	79,567
Fundraising	-	1,396	-	1,396	1,396
Direct benefits to donors	-	-	17,641	17,641	17,641
Total Expenses	$ 4,248,804	$ 163,503	$ 133,580	$ 297,083	$ 4,545,887

New Hope Housing, Inc.

Schedule of Program Services
For the Year Ended June 30, 2011

	Mondloch House	Eleanor Kennedy Shelter	Safe Haven Max's Place	Susan's Place	FCWS	Alexandria Community Shelter	Milestones	APS/ HCHA	Health Care for Unsheltered Adults	RISE	PPH	FCRHA Units	Turning Point	Stride	Gartlan House	Just Homes	Other*	Total Program Services
Salaries	$ 944,830	$ 886,798	$ 195,934	$ 199,455	$ 44,834	$ 470,782	$ 57,525	$ 72,952	$ 24,156	$ 32,435	$ 49,588	$ 31,730	$ 20,238	$ 13,793	$ 86,962	$ 11,611	$ 104,706	$ 3,248,329
Payroll taxes	77,379	70,371	16,187	16,227	3,893	37,809	4,637	5,692	1,926	2,649	4,017	2,559	1,610	1,159	7,032	949	8,350	262,446
Benefits	156,613	124,426	15,888	21,175	5,597	61,007	8,190	11,055	4,558	5,151	8,079	5,185	2,924	2,208	11,549	2,386	13,751	459,742
Retirement	37,171	34,063	8,915	7,441	1,084	11,629	2,468	1,620	86	688	2,592	1,190	456	329	1,693	549	3,438	115,412
Contract services	440	-	-	512	-	-	1,184	496	-	128	-	-	-	-	-	-	-	2,760
Telephone	1,852	1,522	2,012	1,545	(45)	120	561	1,018	-	671	596	-	593	619	1,897	-	25	12,986
Occupancy	37,589	9,734	50,816	69,539	520	3,869	20,857	126,668	78	99	103	25,561	3,495	90	7,495	37,050	437	394,000
Repairs	16,397	17,097	3,601	1,676	-	2,794	21,569	2,430	1,333	640	285	17,678	2,991	435	8,549	150	311	97,936
Professional fees	697	697	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23	1,417
Postage/shipping	1,376	1,305	-	18	-	56	-	-	10	-	9	-	33	-	19	-	13	2,839
Supplies/printing	9,724	5,851	924	893	-	13,775	541	601	91	92	255	-	12	27	462	106	669	34,023
Other admin.	2,719	2,929	1,254	1,201	55	3,193	1,260	310	685	603	651	7,230	215	79	1,600	590	588	25,162
Training & travel	10,059	7,011	1,219	77	55	3,888	10	573	-	36	38	15	10	-	61	15	145	23,212
Food supplies	20,529	23,867	3,232	3,976	-	855	177	125	14	-	50	-	-	21	171	-	78	53,095
Donated items	58,514	69,088	520	-	-	3,769	1,628	272	-	-	415	3,845	206	2,160	520	210	420	141,567
Client services	27,565	28,435	3,192	8,733	553	18,061	6,287	7,163	3,360	2,266	6,942	1,558	1,460	7,113	7,269	378	122,454	252,789
Depreciation	9,535	12,888	110	3,050	-	-	25,840	-	-	69	-	17,148	3,500	-	13,079	-	-	85,219
Total Expenses	$ 1,412,989	$ 1,296,082	$ 303,804	$ 335,518	$ 56,546	$ 631,607	$ 152,734	$ 230,975	$ 36,297	$ 45,527	$ 73,620	$ 113,699	$ 37,743	$ 28,033	$ 148,358	$ 53,994	$ 255,408	$ 5,212,934

Other Programs Include the Following:

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

New Hope Housing, Inc.

Schedule of Program Services
For the Year Ended June 30, 2010

	Mondloch House	Eleanor Kennedy Shelter	Safe Haven Max's Place	Susan's Place	Contract Services and E.E.R.C	Gartlan House	Milestones	Housing First	PPH	RISE	Other TH	FCRHA Units	HCSU HP	Stride	Other	Total Program Services
Salaries	$ 823,212	$ 806,219	$ 201,266	$ 172,069	$ 127,116	$ 84,375	$ 34,052	$ 46,621	$ 52,636	$ 39,309	$ 15,613	$ 24,667	$ 23,303	$ 14,176	$ 50,040	$ 2,514,674
Payroll taxes	65,682	64,529	15,812	13,366	10,190	6,497	2,535	3,649	3,938	2,936	1,220	1,813	1,850	1,058	4,045	199,120
Benefits	147,565	139,893	20,973	23,298	20,748	12,883	4,980	4,414	9,076	4,992	2,352	2,276	5,495	2,422	2,386	403,753
Retirement	34,689	29,212	4,648	6,095	5,642	5,778	528	301	2,804	1,339	136	360	496	310	747	93,085
Contract services	-	-	-	-	-	-	-	1,036	-	120	-	-	-	-	-	1,156
Telephone	1,105	2,043	2,514	1,588	70	2,602	1,586	1,078	615	1,588	567	-	-	1,118	851	17,325
Occupancy	41,041	15,409	46,497	69,182	787	7,044	22,478	123,020	129	660	3,698	18,088	107	60	12,921	361,121
Repairs	24,423	16,939	3,239	871	226	51,306	12,489	3,490	69	1,974	2,962	28,891	1,197	338	10	148,424
Professional fees	1,077	1,076	-	-	-	-	-	175	-	-	-	850	-	-	-	3,178
Postage/shipping	2,556	2,521	61	18	-	25	14	5	-	-	-	-	-	-	-	5,200
Supplies/printing	9,091	7,727	1,398	1,102	2,049	867	109	992	124	152	63	31	121	78	753	24,657
Other admin.	7,325	7,486	2,687	1,861	2,553	1,679	1,308	2,878	803	887	343	7,973	802	86	378	39,049
Training & travel	5,901	8,426	36	88	948	49	-	-	-	-	-	-	-	-	-	15,448
Food supplies	19,833	18,554	2,563	2,787	-	701	2	83	-	-	-	-	-	-	-	44,523
Donated items	45,818	51,441	291	292	463	-	-	7,144	-	6,040	2,581	4,265	-	2,313	1,467	122,115
Client services	12,734	23,218	4,095	9,166	83,086	19,406	1,815	3,057	10,205	2,208	1,028	758	3,065	3,102	3,324	180,267
Depreciation	10,227	12,888	110	3,050	-	13,079	20,633	-	-	229	3,501	11,992	-	-	-	75,709
Total Expenses	$ 1,252,279	$ 1,207,581	$ 306,190	$ 304,833	$ 253,878	$ 206,291	$ 102,529	$ 197,943	$ 80,399	$ 62,434	$ 34,064	$ 101,964	$ 36,436	$ 25,061	$ 76,922	$ 4,248,804

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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 the financial statements of New Hope Housing, Inc. ("the Organization") as of and for the year ended June 30, 2011 and have issued our report thereon, dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rogers + Company PLLC

Vienna, Virginia
November 9, 2011

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

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 each of the Organization's major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2011.

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Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rogers + Company PLLC

Vienna, Virginia
November 9, 2011

New Hope Housing, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/Program Title	Agency or Pass-Through Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing Program:			
Max's Place, July 1-31, 2010	VA0109B3G010801	14.235	$ 16,597
Max's Place, August 1, 2010 - June 30, 2011	VA0109B3G010802	14.235	216,183
Susan's Place	VA0093B3G000802	14.235	236,660
Gartlan House, July 1, 2010 - December 31, 2010	VA0115B3G010801	14.235	51,481
Gartlan House, January 1, 2011 - June 30, 2011	VA0115B3G010802	14.235	44,763
Milestones	VA0110B3G010802	14.235	58,850
Just Homes	VA0087B3G000800	14.235	47,503
Fairfax County, Virginia Pass-Through: R.I.S.E.	VA0114B3G010802	14.235	29,125
Christian Relief Services Pass-Through: S.T.R.I.D.E.	VA106B3G010802	14.235	17,734
American Recovery and Reinvestment Act of 2009			
Operation of Emergency Shelter Community Case Manager	RQ0685359032E		68,008
Temporary Assistance for Needy Families - Emergency/Employment Services	RQ0685359032E A#6&9/#8		139,194
Fairfax County Consolidated Community Funding Pool	RQ1013865131		69,117
Total U.S. Department of Housing and Urban Development			995,215
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families (Pass-Through):			
Virginia Department of Housing and Community Development	11-SGTF-058	93.558	45,852
U.S. Department of Agriculture			
Child & Adult Care Food Program	59278	10.558	33,495
Total Expenditures of Federal Awards			$ 1,074,562

See independent auditors' report and accompanying notes to this schedule.

New Hope Housing, Inc.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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 Department of Housing and Urban Development (HUD) programs. Under certain programs, funds are loaned to the Organization for affordable housing acquisition assistance. For 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. Total funds received under this loan assistance program were $293,426 for the year ended June 30, 2011.

The Organization had the following loan obligation balances outstanding at June 30, 2011, for which the federal government imposes continuing compliance requirements:

Federal Grantor/Program Title	Amount Outstanding
U.S. Department of Housing and Urban Development	
Milestones	$ 409,250
Gartlan House	292,324
Fairfax County Redevelopment and Housing Authority	
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	$ 1,766,646

New Hope Housing, Inc.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

3. Reconciliation to Financial Statements

Reconciliation of federal expenditures to federal and state grants revenue per accompanying statement of activities and change in net assets:

Federal expenditures per schedule of expenditures of federal awards	$	1,074,562
Add: amortization of forgivable loans		26,970
Federal and state grants per statement of activities and change in net assets	$	1,101,532

4. Subrecipients

The Organization did not provide any federal awards to subrecipients for the year ended June 30, 2011.

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

A. Summary of Audit Results

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of New Hope Housing, Inc. ("the Organization").

2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors' report.

3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.

4. No material weaknesses relating to the audit of the major federal award programs are reported in the report on internal control over financial reporting.

5. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on internal control over financial reporting.

6. The independent auditors' report on compliance for the major federal programs of the Organization expresses an unqualified opinion on all major federal programs.

7. There were no audit findings disclosed related to the major federal award programs for the Organization that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

8. The following programs were tested as major programs:

CFDA#	Program Title
14.235	Supportive Housing Program
RQ0685359032E A#6&9/#8	Temporary Assistance for Needy Families - Emergency/Employment Services

9. The threshold for distinguishing Types A and B programs was $300,000.

10. The Organization qualified as a low-risk auditee.

B. Findings – Financial Statement Audit

- None

C. Findings and Questioned Costs – Major Federal Award Program Audit

- None

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

D. Summary Schedule of Prior Audit Findings

- None

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November 9, 2011

To the Board of Directors and Management of
New Hope Housing

We are providing this letter 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 New Hope Housing, Inc. ("the Organization"), as of and for the year ended June 30, 2011.

Responsibility Under Auditing Standards Generally Accepted in the United States and OMB A-133

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133.

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal program for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

Responsibility Under Auditing Standards Generally Accepted in the United States and OMB A-133 (continued)

Our responsibilities are:

1. To plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

2. To communicate significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. We have not been apprised of the use of any documents containing the audited financial statements and, accordingly, have not reviewed any other documents for possible material inconsistencies with the audited financial statements.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated in the engagement letter and during the planning stages of the audit.

Qualitative Aspects of Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2011. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Qualitative Aspects of Significant Accounting Practices (continued)

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. We evaluated the key factors and assumptions used to develop estimates and determined that the estimates are reasonable in relation to the financial statements taken as a whole.

Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Uncorrected and Corrected Misstatements

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

In addition, professional standards require us to communicate to you all material, *corrected* misstatements that were brought to the attention of management as a result of our audit procedures. We had one adjustment to increase beginning net assets and decrease contributions revenue by $10,000.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to NHH's financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Representations Requested from Management

As required under professional standards, we have requested certain written representations from management, which are included in a letter from management to us, dated November 9, 2011. A copy of that letter has been retained by management and is available for review.

<u>Other Significant Findings or Issues</u>

In the normal course of our professional conduct with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the auditors.

<u>Difficulties Encountered in Performing the Audit</u>

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

CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit of the financial statements of the Organization for the year ended June 30, 2011, 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 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.

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.

During our audit, we may also become aware of other matters that are opportunities for strengthening internal controls, enhancing operating efficiency, or preparing management for emerging accounting or reporting regulations. The following communications are intended for these purposes.

<u>Proposed Change in Leasing Standards</u>

The Financial Accounting Standard Board (FASB) recently released a proposed Accounting Standards Update (ASU) on leases. The ASU creates a new accounting model for both lessees and lessors and eliminates the concept of operating leases. Currently, under Generally Accepted Accounting Principles, accounting for leases defined as operating is substantially different than accounting for leases defined as capital.

Proposed Change in Leasing Standards (continued)

Operating leases are recorded simply by recognizing the recurring lease payment as an expense over the lease term. If a lease is classified as capital, assets (the leased equipment or real estate) and liabilities (the future required payments) are recorded on an entity's statement of financial position. Under the anticipated model, almost all leases would be classified as capital.

Besides significantly increasing the reporting of assets and liabilities, the new requirements will also add related recordkeeping because asset and liability schedules must be maintained for assets acquired under any lease. FASB expects to issue a final standard in 2012. Under the proposed ASU, an organization shall recognize and measure all outstanding contracts that fall within guidance from the proposed ASU as of the date of initial application using a simplified retrospective approach.

We recommend that the Organization review the proposed ASU to determine the extent to which it will affect its financial statements in the future, and what internal accounting changes may be needed. We will monitor these proposed changes as well, and can assist the Organization as needed.

SUMMARY

This letter is intended solely for the information and use of the Board of Directors and Management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Rogers + Company PLLC

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