New Hope Housing, Inc.

Financial Statements
Including Uniform Guidance Reports
and Independent Auditors' Report

June 30, 2018 and 2017

New Hope Housing, Inc.

Financial Statements
June 30, 2018 and 2017

Contents

Rogers & Company PLLC
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INDEPENDENT AUDITORS' REPORT

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

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, 2018 and 2017; the related statements of activities 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.

ROGERS & COMPANY

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, 2018 and 2017, 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and program services included on pages 20-23 are presented for purposes of additional analysis and are not required parts of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 27, 2018, 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.

Rogers + Company PLLC

Vienna, Virginia
November 27, 2018

New Hope Housing, Inc.

Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash	$ 148,528	$ 160,979
Accounts receivable	1,487,110	901,454
Grants receivable	93,981	241,855
Investments	586,106	539,813
Deposits and other assets	9,197	9,359
Property and equipment, net	2,125,886	2,195,878
Total assets	$ 4,450,808	$ 4,049,338
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	$ 111,994	$ 27,853
Accrued payroll	119,148	78,612
Accrued vacation	154,380	126,366
Accrued sick leave	291,279	255,533
Client funds payable	62,453	36,283
Capital lease liability	96,223	140,381
Line-of-credit	225,000	-
Forgivable loans	263,092	292,324
FCRHA loans	1,065,072	1,065,072
Total liabilities	2,388,641	2,022,424
Net Assets		
Unrestricted:		
Undesignated	1,624,839	1,551,346
Board-designated	437,328	437,328
Total unrestricted	2,062,167	1,988,674
Temporarily restricted	-	38,240
Total net assets	2,062,167	2,026,914
Total liabilities and net assets	$ 4,450,808	$ 4,049,338

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support			
County contract services	$ 5,679,040	$ -	$ 5,679,040
Federal and state grants	1,554,098	-	1,554,098
In-kind contributions	353,497	-	353,497
Contributions	128,443	85,000	213,443
Special events	152,478	-	152,478
Client rents	324,047	-	324,047
Foundation grants	87,000	79,500	166,500
United Way contributions	30,511	-	30,511
Interest and dividends	18,524	-	18,524
Other income	39,946	-	39,946
Released from restrictions	202,740	(202,740)	-
Total operating revenue and support	8,570,324	(38,240)	8,532,084
Expenses			
Program services:			
Shelter	3,962,778	-	3,962,778
Permanent Supportive	3,796,758	-	3,796,758
Rapid Re-housing and other	402,171	-	402,171
Total program services	8,161,707	-	8,161,707
Supporting services:			
Management and general	224,679	-	224,679
Fundraising	105,908	-	105,908
Cost of direct benefit to donors	31,083	-	31,083
Total supporting services	361,670	-	361,670
Total expenses	8,523,377	-	8,523,377
Change in Net Assets from Operations	46,947	(38,240)	8,707
Non-Operating Activities			
Unrealized gain	41,851	-	41,851
Realized loss	(15,305)	-	(15,305)
Total non-operating activities	26,546	-	26,546
Change in Net Assets	73,493	(38,240)	35,253
Net Assets, beginning of year	1,988,674	38,240	2,026,914
Net Assets, end of year	$ 2,062,167	$ -	$ 2,062,167

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support			
County contract services	$ 3,870,491	$ -	$ 3,870,491
Federal and state grants	1,418,732	-	1,418,732
In-kind contributions	322,516	-	322,516
Contributions	185,251	38,280	223,531
Special events	165,889	-	165,889
Client rents	193,826	-	193,826
Foundation grants	51,445	147,460	198,905
Other contract services	76,277	-	76,277
United Way contributions	42,873	-	42,873
Interest and dividends	16,268	-	16,268
Other income	17,977	-	17,977
Released from restrictions	166,600	(166,600)	-
Total operating revenue and support	6,528,145	19,140	6,547,285
Expenses			
Program services:			
Shelter	3,682,880	-	3,682,880
Permanent Supportive	2,470,430	-	2,470,430
Rapid Re-housing and other	414,946	-	414,946
Total program services	6,568,256	-	6,568,256
Supporting services:			
Management and general	237,671	-	237,671
Fundraising	136,633	-	136,633
Cost of direct benefit to donors	21,708	-	21,708
Total supporting services	396,012	-	396,012
Total expenses	6,964,268	-	6,964,268
Change in Net Assets from Operations	(436,123)	19,140	(416,983)
Non-Operating Activities			
Unrealized gain	32,667	-	32,667
Realized gain	209	-	209
Total non-operating activities	32,876	-	32,876
Change in Net Assets	(403,247)	19,140	(384,107)
Net Assets, beginning of year	2,391,921	19,100	2,411,021
Net Assets, end of year	$ 1,988,674	$ 38,240	$ 2,026,914

New Hope Housing, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 35,253	$ (384,107)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	128,223	119,936
Net realized and unrealized gain	(26,546)	(32,876)
Amortization of forgivable loans	(29,232)	-
Equipment acquired under capital leases	-	166,385
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(585,656)	59,881
Grants receivable	147,874	(120,925)
Increase (decrease) in:		
Accounts payable and other accrued expenses	84,141	(2,416)
Accrued payroll	40,536	(146,699)
Accrued vacation	28,014	15,556
Accrued sick leave	35,746	115,138
Client funds payable	26,170	8,416
Net cash used in operating activities	(115,315)	(201,711)
Cash Flows from Investing Activities		
Purchases of investments	(80,879)	(33,019)
Proceeds from sales of investments	61,132	10,823
Purchases of property and equipment	(58,231)	(172,170)
Net cash used in investing activities	(77,978)	(194,366)
Cash Flows from Financing Activity		
Payments under capital lease	(44,158)	(26,004)
Proceeds from borrowings on line-of-credit	225,000	-
Net cash provided by (used in) financing activity	180,842	(26,004)
Net Decrease in Cash	(12,451)	(422,081)
Cash, beginning of year	160,979	583,060
Cash, end of year	$ 148,528	$ 160,979
Supplementary Disclosure of Cash Flow Information		
Equipment acquired	$ -	$ 166,385
Capital lease obligation	$ -	$ (166,385)

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 works to end homelessness across Northern Virginia by providing shelter, Rapid Re-housing and permanent supportive housing, and 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.

- *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. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to the aging of receivables. There is no provision for doubtful accounts at June 30, 2018 and 2017, as management deems all receivables to be fully collectible.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are included in the accompanying statements of activities.

2. Summary of Significant Accounting Policies (continued)

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 foundation 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. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

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. Revenue from performance-based contracts is recognized when performance is completed. When cash advances exceed the contract revenue recognized, a liability is recorded.

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.

The Organization periodically holds special events as fundraising activities. The gross revenue and expenses, including direct benefits to donors, from these events are presented in the accompanying statements of activities, and revenues are recognized when the donations are received.

Revenue from all other sources is recognized when earned.

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The Organization receives in-kind contributions from various community groups and individual donors consisting of contributed food, clothing, supplies, and services that benefit both program and supporting services. Services are recognized only when they create or enhance nonfinancial assets, or require specialized skills, are provided by qualified individuals, and would typically be purchased if not donated. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

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

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes realized and unrealized gains and losses on investments.

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. 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.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Organization's fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Organization's fiscal year 2019.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 27, 2018, the date the financial statements were available to be issued.

3. Concentrations of Risks

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 Deposit 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.

3. Concentrations of Risks (continued)

<u>Revenue Risk</u>

A substantial portion of the grants and contract revenue received by the Organization is from 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, 2018 and 2017, the Organization recognized $7,233,138 and $5,289,223, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 85% and 81%, 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.

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
2018:				
Mutual funds:				
U.S. equities	$ 178,909	$ -	$ -	$ 178,909
Taxable bond funds	87,101	-	-	87,101
International equities	75,242	-	-	75,242
Growth real estate	59,202	-	-	59,202
Small company	50,374	-	-	50,374
Treasury inflation protected securities	26,646	-	-	26,646
International bonds	25,923	-	-	25,923
Precious metals	3,623	-	-	3,623
Energy/natural resources	43,386	-	-	43,386
Aggressive international	24,986	-	-	24,986
Total mutual funds	575,392	-	-	575,392
Money market funds	10,714	-	-	10,714
Total investments	$ 586,106	$ -	$ -	$ 586,106
2017:				
Mutual funds:				
U.S. equities	$ 157,820	$ -	$ -	$ 157,820
Taxable bond funds	86,963	-	-	86,963
International equities	76,348	-	-	76,348
Growth real estate	56,922	-	-	56,922
Small company	43,631	-	-	43,631
Treasury inflation protected securities	26,152	-	-	26,152
International bonds	25,125	-	-	25,125
Commodities	21,174	-	-	21,174
Energy/natural resources	19,140	-	-	19,140
Aggressive international	15,029	-	-	15,029
Total mutual funds	528,304	-	-	528,304
Money market funds	11,509	-	-	11,509
Total investments	$ 539,813	$ -	$ -	$ 539,813

4. Investments and Fair Value Measurements (continued)

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

	2018	2017
Interest and dividends	$ 18,524	$ 16,268
Unrealized gain	41,851	32,667
Realized (loss) gain	(15,305)	209
Total investment income	$ 45,070	$ 49,144

5. Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Land	$ 695,364	$ 695,364
Buildings and improvements	2,243,264	2,243,264
Furniture and equipment	318,155	318,095
Vehicles	125,405	67,278
Total property and equipment	3,382,188	3,324,001
Less: accumulated depreciation and amortization	(1,256,302)	(1,128,123)
Property and equipment, net	$ 2,125,886	$ 2,195,878

6. Forgivable Loans

The Organization has received forgivable loans under HUD's Supportive Housing Program for assistance at closing on purchases of post shelter housing units. Under terms of the agreements, the proceeds must be used for the specific purpose intended in the loan documents. According to the terms of the agreement and guidelines in 24 Code of Federal Regulations Part 583.305 of the Federal Register, repayment of 100% of any assistance received for acquisition costs is required if the project ceases to be supportive housing within 10 years after the project is placed in services. If used for more than 10 years, the percentage of the amount required to be repaid is reduced by 10% for each year in excess of 10 years that the project is used as supportive housing.

6. Forgivable Loans (continued)

Management believes the conditions of forgiveness related to these loans are substantially met after ten years of operation as supportive housing and that the Organization has the present intention and ability to maintain the conditions of forgiveness, the proceeds from these forgivable loans have been initially recorded as refundable advances (forgivable loans) and then after ten years ratably recognized as revenue over the remaining 10-years. The revenue is recorded as amortization of forgivable loans and included in federal and state grants in the accompanying statements of activities.

At June 30, 2017, the Organization had one HUD forgivable loan that was received in 2008 to assist in the purchase of a residence for Permanent Supportive Housing for 8 men. The total amount of funds received for acquisition assistance was $292,324. The Organization started ratable recognition of this loan in fiscal year 2018. The total amount recognized as revenue on debt forgiveness was $29,232 for the year ended of June 30, 2018, which was included in federal and state grants in the accompanying statements of activities. Forgivable loans totaled $263,092 and $292,324 at June 30, 2018 and 2017, respectively, which are included in the accompanying statements of financial position. Total future payments are as follows for the years ending June 30:

2019	$ 29,232
2020	29,232
2021	29,232
2022	29,232
2023	29,232
Thereafter	116,932
Total future payments	$ 263,092

7. FCRHA Loans

In July 2008, May 2009, September 2010, and June 2011, the Organization received assistance 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.

7. FCRHA Loans (continued)

The Organization had the following long-term debt and other obligations at June 30:

	2018	2017
Gartlan House – Note payable to FCRHA of $446,242; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2039; collateralized by a deed of trust on the property.	$ 446,242	$ 446,242
Claremont House – Note payable to FCRHA of $165,121; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2040; collateralized by a deed of trust on the property.	165,121	165,121
Brosar House – Note payable to FCRHA of $128,305; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2040; collateralized by a deed of trust on the property.	128,305	128,305
Ponside House – Note payable to FCRHA of $105,540; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2039; collateralized by a deed of trust on the property.	105,540	105,540
Brockham House – Note payable to FCRHA of $104,340; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2039; collateralized by a deed of trust on the property.	104,340	104,340
Beekman House – Note payable to FCRHA of $60,390; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2039; collateralized by a deed of trust on the property.	60,390	60,390
Bedford House – Note payable to FCRHA of $55,134; with no interest accruing and no principal payments due if the Organization continuously uses the property for affordable housing acquisition assistance program; matures in 2039; collateralized by a deed of trust on the property.	55,134	55,134
Total FCRHA loans	$ 1,065,072	$ 1,065,072

8. Line-of-Credit

The Organization maintains a $250,000 unsecured line-of-credit with a bank for the purposes of working capital needs. The line of credit is renewable every year. Interest payments on any outstanding balances are made monthly at the bank's prime rate plus 0.75% (5.75% and 5.0% at June 30, 2018 and 2017, respectively). The outstanding balance on this line-of-credit was $225,000 and $-0- at June 30, 2018 and 2017, respectively.

9. Temporarily Restricted Net Assets

There were no temporarily restricted net assets at June 30, 2018. Temporarily restricted net assets were restricted for the Housing First programs and totaled $38,240 at June 30, 2017.

10. Commitments and Contingencies

Operating Leases

The Organization leases office space in Suite C at 8407 Richmond Highway, Alexandria, Virginia in a lease that commenced on January 1, 2011 and expired on December 31, 2015. On January 1, 2016, the Organization extended its office lease at a base monthly rent of $2,375, expiring on December 31, 2018, with an option to extend for three additional years. In December 2018, the organization utilized the option to extend for three additional years. The lease is set to expire on December 31, 2021. The lease has a 3.5% escalation rate of the previous base rent.

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. In July 2014, the Organization extended this lease at a base monthly rent of $3,451, which will be adjusted based on HUD's annual fair market rent calculation, expiring on June 30, 2019.

The Organization also leases a number of residential properties that are used in the Organization's housing program. These units are, in turn, utilized to provide temporary housing assistance in fulfillment of program objectives. All leases are operating leases and have original terms of one to three years.

10. Commitments and Contingencies (continued)

Operating Leases (continued)

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

2019	$	218,553
2020		50,598
2021		33,270
2022		16,920
Total future minimum lease payments	$	319,341

Rent expense under all operating leases for the years ended June 30, 2018 and 2017 was $1,745,712 and $647,858, respectively.

Capital Leases

The Organization leases office equipment under a capital lease. Capitalized costs are reflected in property and equipment at the gross amount of $166,385 at both June 30, 2018 and 2017. Accumulated depreciation for the leased equipment was $68,423 and $29,011 at June 30, 2018 and 2017, respectively. Depreciation expense for the leased equipment was $19,706 for both years ended June 30, 2018 and 2017.

Future minimum lease payments are as follows for the years ending June 30:

2019	$	52,596
2020		31,713
2021		16,200
2022		4,050
Future minimum lease payments		104,559
Less: amount representing interest		(8,336)
Net present value of minimum lease payments	$	96,223

10. Commitments and Contingencies (continued)

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.

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, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

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, 2018 and 2017. 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% of the salary reduction amount contributed during the plan year, or 0.25% 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, 2018 and 2017 were $77,042 and $86,540, respectively.

12. In-Kind Contributions

The Organization received the following donated goods, which have been reflected as in-kind contributions and either capitalized costs or expenses in the accompanying statements of activities during the years ended June 30:

	2018	2017
Food	$ 242,205	$ 195,026
Furniture and household items	111,292	127,490
Total in-kind contributions	$ 353,497	$ 322,516

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

New Hope Housing, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising and Direct Benefits	Supporting Services: Total Supporting Services	Total Expenses
Personnel Costs					
Salaries	$ 3,691,079	$ 51,360	$ 71,360	$ 122,720	$ 3,813,799
Payroll taxes	326,740	4,481	6,453	10,934	337,674
Employee benefits	817,257	49,174	21,406	70,580	887,837
Retirement	74,314	62	2,666	2,728	77,042
Contract services	36,165	2,571	2,271	4,842	41,007
Overhead Costs					
Telephone	66,546	3,884	947	4,831	71,377
Maintenance	85,081	1,097	-	1,097	86,178
Professional fees	20,219	4,133	1,298	5,431	25,650
Postage and shipping	2,094	859	1,775	2,634	4,728
Office supplies and printing	30,800	1,399	1,600	2,999	33,799
Other administrative expenses	144,177	31,967	6,312	38,279	182,456
Program and Other Costs					
Occupancy	2,067,003	974	-	974	2,067,977
Staff training	95,395	14,806	540	15,346	110,741
Food and food supplies	102,492	444	-	444	102,936
Donated items	353,497	-	-	-	353,497
Client services	44,190	-	-	-	44,190
Other Costs					
Equipment	122,554	179	-	179	122,733
Depreciation and amortization	76,223	52,000	-	52,000	128,223
Board of Directors	-	450	-	450	450
Direct benefit to donors	5,881	4,839	20,363	25,202	31,083
Total Expenses	$ 8,161,707	$ 224,679	$ 136,991	$ 361,670	$ 8,523,377

New Hope Housing, Inc.

Schedule of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising and Direct Benefits	Supporting Services: Total Supporting Services	Total Expenses
Personnel Costs					
Salaries	$ 3,771,268	$ 102,852	$ 84,888	$ 187,740	$ 3,959,008
Payroll taxes	303,289	2,361	6,641	9,002	312,291
Employee benefits	527,147	5,484	10,606	16,090	543,237
Retirement	83,636	349	2,555	2,904	86,540
Contract services	53,902	2,771	1,863	4,634	58,536
Overhead Costs					
Telephone	29,437	20,500	1,417	21,917	51,354
Maintenance	115,201	1,144	-	1,144	116,345
Professional fees	22,666	961	1,687	2,648	25,314
Postage and shipping	1,359	411	1,545	1,956	3,315
Office supplies and printing	17,845	1,021	3,453	4,474	22,319
Other administrative expenses	13,583	21,665	3,861	25,526	39,109
Program and Other Costs					
Occupancy	779,387	2,130	187	2,317	781,704
Staff training	22,934	1,069	18,000	19,069	42,003
Food and food supplies	38,428	12	-	12	38,440
Donated items	322,516	-	-	-	322,516
Client services	395,615	3,165	-	3,165	398,780
Other Costs					
Equipment	1,153	9,120	123	9,243	10,396
Depreciation and amortization	68,276	51,660	-	51,660	119,936
Board of Directors	421	10,996	-	10,996	11,417
Direct benefit to donors	193	-	21,515	21,515	21,708
Total Expenses	$ 6,568,256	$ 237,671	$ 158,341	$ 396,012	$ 6,964,268

New Hope Housing, Inc.

Schedule of Program Services
For the Year Ended June 30, 2018

	Shelter	Permanent Supportive	Rapid Re-housing and Other	Total Program Services
Personnel Costs				
Salaries	$ 2,394,713	$ 1,234,590	$ 61,776	$ 3,691,079
Payroll taxes	213,305	107,836	5,599	326,740
Employee benefits	536,967	260,968	19,322	817,257
Retirement	42,940	29,515	1,859	74,314
Contract services	17,188	17,612	1,365	36,165
Overhead Costs				
Telephone	25,223	40,030	1,293	66,546
Maintenance	6,306	75,817	2,958	85,081
Professional fees	14,317	5,902	-	20,219
Postage and shipping	1,554	540	-	2,094
Office supplies and printing	16,287	14,057	456	30,800
Other administrative expenses	51,218	84,652	8,307	144,177
Program and Other Costs				
Occupancy	140,800	1,637,912	288,291	2,067,003
Staff training	59,804	32,832	2,759	95,395
Food and food supplies	88,136	14,297	59	102,492
Donated items	279,917	69,772	3,808	353,497
Client services	31,052	13,138	-	44,190
Other Costs				
Equipment	29,554	92,222	778	122,554
Depreciation and amortization	7,868	64,814	3,541	76,223
Board of Directors	-	-	-	-
Direct benefit to donors	5,629	252	-	5,881
Total Program Services	$ 3,962,778	$ 3,796,758	$ 402,171	$ 8,161,707

New Hope Housing, Inc.

Schedule of Program Services
For the Year Ended June 30, 2017

	Shelter	Permanent Supportive	Rapid Re-housing and Other	Total Program Services
Personnel Costs				
Salaries	$ 2,452,977	$ 1,211,694	$ 106,597	$ 3,771,268
Payroll taxes	197,734	97,055	8,500	303,289
Employee benefits	356,298	159,272	11,577	527,147
Retirement	55,724	26,386	1,526	83,636
Contract services	24,588	28,769	545	53,902
Overhead Costs				
Telephone	9,294	15,800	4,343	29,437
Maintenance	34,827	75,624	4,750	115,201
Professional fees	10,633	11,735	298	22,666
Postage and shipping	911	448	-	1,359
Office supplies and printing	10,047	7,774	24	17,845
Other administrative expenses	8,594	3,182	1,807	13,583
Program and Other Costs				
Occupancy	59,180	612,715	107,492	779,387
Staff training	15,518	5,542	1,874	22,934
Food and food supplies	31,131	5,400	1,897	38,428
Donated items	237,820	63,674	21,022	322,516
Client services	168,944	87,947	138,724	395,615
Other Costs				
Equipment	119	759	275	1,153
Depreciation and amortization	8,204	56,377	3,695	68,276
Board of Directors	337	84	-	421
Direct benefit to donors	-	193	-	193
Total Program Services	$ 3,682,880	$ 2,470,430	$ 414,946	$ 6,568,256

SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED BY THE UNIFORM GUIDANCE

ROGERS & COMPANY

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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, 2018; the related statement of activities and net assets and statement of cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018.

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.

Rogers + Company PLLC

Vienna, Virginia
November 27, 2018

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

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 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rogers + Company PLLC

Vienna, Virginia
November 27, 2018

New Hope Housing, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-Through Grant Number	Federal CFDA Number	Federal Expenditures	Amount Paid to Subrecipients
Current Year Expenditures of Federal Awards				
U.S. Department of Housing and Urban Development				
Continuum of Care Program:				
Direct Awards:				
Milestones	VA0110L3G011609	14.267	$ 63,577	$ -
Permanent Supportive Housing homes	VA0109L3G011508	14.267	33,156	-
Permanent Supportive Housing homes	VA0109L3G011609	14.267	345,618	-
Susan's Place	VA0093L3G001609	14.267	210,273	-
Just Homes	VA0087L3G001606	14.267	26,412	-
Just Homes	VA0087L3G001707	14.267	26,746	-
Alexandria Housing First II	VA0198L3G031403	14.267	8,323	-
Alexandria Housing First II	VA0198L3G031603	14.267	121,430	-
Fairfax Just Homes	VA0218L3G011502	14.267	30,481	-
Fairfax Just Homes	VA0218L3G011603	14.267	77,444	-
Pass-Through Award from County of Fairfax, Virginia:				
Reaching Independence through Support & Education (RISE)	VA0114B3G011306	14.267	38,520	-
Total Continuum of Care Program			981,980	-
Emergency Solutions Grant Program:				
Pass-Through Awards from Virginia Department of Housing and Community Development:				
Virginia Homeless Solutions Program	18-VHSP-58	14.231	54,943	-
Virginia Homeless Solutions Program	18-VHSP-057	14.231	60,410	-
Total Emergency Solutions Grant Program			115,353	-
Total Current Year Expenditures of Federal Awards			1,097,333	-

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

New Hope Housing, Inc.

Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-Through Grant Number	Federal CFDA Number	Federal Expenditures	Amount Paid to Subrecipients
Prior Year Federal Awards for which Continued Compliance Is Required				
U.S. Department of Housing and Urban Development				
McKinney Act Supportive Housing Program:				
Direct Award:				
Gartlan House		14.235	$ 263,092	$ -
Total McKinney Act Supportive Housing Program			263,092	-
Community Development Block Grant (CDBG):				
Pass-Through from Fairfax County Redevelopment and Housing Authority:				
Housing Acquisition Funds (CDBG)		14.218	1,034,359	-
Housing Acquisition Funds (Neighborhood Stabilization Program)		14.218	30,713	-
Total Community Development Block Grant			1,065,072	-
Total Prior Year Expenditures of Federal Awards for which Continued Compliance Is Required			1,328,164	-
Total Expenditures of Federal Awards			$ 2,425,497	$ -

See accompanying notes to the schedule of expenditures of federal awards.

New Hope Housing, Inc.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal award activity of the Organization under the programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

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

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rates

The Organization has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.

4. Noncash Assistance

The Organization neither received nor disbursed federal awards in the form of federal noncash assistance for the year ended June 30, 2018.

5. Federal Loans

In prior years, the Organization received certain loan assistance grants directly from U.S. Department of Housing and Urban Development and passed through from the Fairfax County Redevelopment and Housing Authority. As required by the Uniform Guidance, the loans balance outstanding at the end of the year is included in the federal expenditures presented in the Schedule as there are continuing compliance requirements. There were no new loan assistance grants received by the Organization in fiscal year 2018. The balance of all loans outstanding at June 30, 2018 was $1,328,164.

6. Matching Requirements

Certain Federal programs require the Organization to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Organization has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

7. Reconciliation to Financial Statements

Reconciliation between federal expenditures per the SEFA and federal and state grants revenue per the accompanying statement of activities for the year ended June 30, 2018 is as follows:

Federal expenditures per the schedule of expenditures of federal awards	$	1,097,333
Add: non-federal grants		427,533
Add: forgivable loans		29,232
Federal and state grants per statement of activities	$	1,554,098

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Summary of 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 2 CFR section 200.516(a)?	______	Yes	X	No

Identification of the major program:

CFDA Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: $750,000

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

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Findings – Financial Statement Audit

There were no financial statement findings reported during the 2018 audit.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no federal award findings or questioned costs reported during the 2018 audit.

New Hope Housing, Inc.

Corrective Action Plan
For the Year Ended June 30, 2018

There were no findings for the year ended June 30, 2018; therefore, a corrective action plan was not needed.

New Hope Housing, Inc.

Schedule of Prior Audit Findings
For the Year Ended June 30, 2018

There were no findings or questioned costs reported for the 2017 audit.