

New Hope Housing, Inc.

Financial Statements
Including Uniform Guidance Reports
and Independent Auditor's Report

June 30, 2022 and 2021

New Hope Housing, Inc.

Financial Statements
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is stylized, with the "R" being particularly large and the "Company" written in a cursive-like script.

Vienna, Virginia
May 9, 2023

New Hope Housing, Inc.

Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,303,623	\$ 1,312,024
Government contracts receivable	928,935	1,458,314
Grants receivable	468,670	142,419
Deposits and other assets	19,075	14,301
Property and equipment, net	1,732,139	1,797,023
Total assets	<u>\$ 4,452,442</u>	<u>\$ 4,724,081</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	\$ 117,928	\$ 158,827
Accrued payroll	245,319	197,613
Accrued vacation	219,696	194,432
Client funds payable	62,453	62,453
Capital lease liability	-	4,247
Forgivable loans	146,163	175,395
FCRHA loans	1,065,072	1,065,072
Unspent funds – CARES Act	-	63,283
Total liabilities	<u>1,856,631</u>	<u>1,921,322</u>
Net Assets		
Without donor restrictions:		
Undesignated	1,658,483	1,865,431
Board-designated	937,328	937,328
Total net assets	<u>2,595,811</u>	<u>2,802,759</u>
Total liabilities and net assets	<u>\$ 4,452,442</u>	<u>\$ 4,724,081</u>

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
County contract services	\$ 8,148,327	\$ -	\$ 8,148,327
Federal and state grants	2,467,049	-	2,467,049
Grants and contributions	487,175	50,000	537,175
In-kind contributions	228,105	-	228,105
Client rental income	213,702	-	213,702
Special events	284,906	-	284,906
Interest income	280	-	280
Other income	149,227	-	149,227
Released from restrictions	50,000	(50,000)	-
Total revenue and support	12,028,771	-	12,028,771
Expenses			
Program services:			
Shelter	8,119,309	-	8,119,309
Permanent Supportive Housing	2,757,919	-	2,757,919
Rapid Re-housing and other	773,901	-	773,901
Total program services	11,651,129	-	11,651,129
Supporting services:			
Management and general	410,463	-	410,463
Fundraising	161,631	-	161,631
Cost of direct benefits to donors	12,496	-	12,496
Total supporting services	584,590	-	584,590
Total expenses	12,235,719	-	12,235,719
Change in Net Assets	(206,948)	-	(206,948)
Net Assets , beginning of year	2,802,759	-	2,802,759
Net Assets , end of year	\$ 2,595,811	\$ -	\$ 2,595,811

See accompanying notes.

New Hope Housing, Inc.

Statement of Activities
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
County contract services	\$ 8,353,023	\$ -	\$ 8,353,023
Federal and state grants	1,894,577	-	1,894,577
Grants and contributions	1,861,320	-	1,861,320
In-kind contributions	488,450	-	488,450
Client rental income	227,436	-	227,436
Special events	100,726	-	100,726
Interest income	1,128	-	1,128
Other income	298,970	-	298,970
Released from restrictions	50,000	(50,000)	-
Total revenue and support	13,275,630	(50,000)	13,225,630
Expenses			
Program services:			
Shelter	7,886,762	-	7,886,762
Permanent Supportive Housing	2,887,932	-	2,887,932
Rapid Re-housing and other	468,740	-	468,740
Total program services	11,243,434	-	11,243,434
Supporting services:			
Management and general	876,805	-	876,805
Fundraising	117,890	-	117,890
Cost of direct benefits to donors	38,663	-	38,663
Total supporting services	1,033,358	-	1,033,358
Total expenses	12,276,792	-	12,276,792
Change in Net Assets	998,838	(50,000)	948,838
Net Assets , beginning of year	1,803,921	50,000	1,853,921
Net Assets , end of year	\$ 2,802,759	\$ -	\$ 2,802,759

See accompanying notes.

New Hope Housing, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services				Supporting Services			
	Shelter	Permanent Supportive Housing	Rapid Re-Housing and Other	Total Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	Total Expenses
<u>Personnel Costs</u>								
Salaries	\$ 4,088,498	\$ 917,207	\$ 335,830	\$ 5,341,535	\$ 97,717	\$ 69,630	\$ 167,347	\$ 5,508,882
Payroll taxes	293,876	67,019	29,012	389,907	5,693	4,541	10,234	400,141
Employee benefits	633,878	212,398	104,327	950,603	62,991	14,974	77,965	1,028,568
Retirement	56,939	20,595	8,786	86,320	3,465	2,241	5,706	92,026
Contract services	86,997	9,616	237,701	334,314	1,716	831	2,547	336,861
<u>Overhead Costs</u>								
Telephone	48,383	28,319	2,046	78,748	1,996	400	2,396	81,144
Occupancy	1,562,967	1,126,177	13,904	2,703,048	-	-	-	2,703,048
Maintenance	50,908	115,219	7,444	173,571	26,634	38	26,672	200,243
Professional fees	246,963	136,168	23,438	406,569	80,945	-	80,945	487,514
Postage and shipping	1,913	1,369	-	3,282	496	2,456	2,952	6,234
Office supplies and printing	204,040	29,374	1,610	235,024	6,528	4,163	10,691	245,715
Other administrative expenses	213,992	73,481	7,593	295,066	12,459	47,599	60,058	355,124
<u>Program and Other Costs</u>								
Staff training	38,518	5,418	-	43,936	1,882	69	1,951	45,887
Conferences and special events	3,247	639	-	3,886	6,329	27,185	33,514	37,400
Food and food supplies	111,077	2,748	-	113,825	3,695	-	3,695	117,520
Donated items	228,105	-	-	228,105	-	-	-	228,105
Client services	229,988	4,212	500	234,700	-	-	-	234,700
<u>Other Costs</u>								
Equipment	8,323	7,482	402	16,207	-	-	-	16,207
Depreciation and amortization	-	-	-	-	97,904	-	97,904	97,904
Direct benefits to donors	10,697	478	1,308	12,483	13	-	13	12,496
Total Expenses	\$ 8,119,309	\$ 2,757,919	\$ 773,901	\$ 11,651,129	\$ 410,463	\$ 174,127	\$ 584,590	\$ 12,235,719

See accompanying notes.

New Hope Housing, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			
	Shelter	Permanent Supportive Housing	Rapid Re-Housing and Other	Total Program Services	Management and General	Fundraising and Direct Benefits	Total Supporting Services	Total Expenses
Personnel Costs								
Salaries	\$ 4,939,920	\$ 1,100,800	\$ 59,246	\$ 6,099,966	\$ 405,266	\$ 93,806	\$ 499,072	\$ 6,599,038
Payroll taxes	331,724	71,519	3,878	407,121	40,893	4,321	45,214	452,335
Employee benefits	544,988	150,582	17,722	713,292	102,255	7,532	109,787	823,079
Retirement	54,981	23,865	945	79,791	710	2,324	3,034	82,825
Contract services	14,660	8,523	238,386	261,569	1,655	1,655	3,310	264,879
Overhead Costs								
Telephone	35,288	31,435	2,422	69,145	1,717	731	2,448	71,593
Occupancy	667,568	1,135,696	102,335	1,905,599	75	5,450	5,525	1,911,124
Maintenance	58,299	109,561	18,951	186,811	425	38	463	187,274
Professional fees	127,530	48,155	1,260	176,945	210,645	-	210,645	387,590
Postage and shipping	3,169	2,434	-	5,603	1,016	2,166	3,182	8,785
Office supplies and printing	65,897	19,466	501	85,864	-	7,021	7,021	92,885
Other administrative expenses	76,146	26,480	12,001	114,627	6,937	-	6,937	121,564
Program and Other Costs								
Staff training	50,867	8,471	-	59,338	144	-	144	59,482
Food and food supplies	188,653	8,377	4,094	201,124	85	-	85	201,209
Donated items	375,627	111,403	1,420	488,450	-	-	-	488,450
Client services	341,256	28,775	-	370,031	387	-	387	370,418
Other Costs								
Equipment	8,914	798	1,334	11,046	-	262	262	11,308
Depreciation and amortization	-	-	-	-	104,291	-	104,291	104,291
Direct benefits to donors	1,275	1,592	4,245	7,112	304	31,247	31,551	38,663
Total Expenses	\$ 7,886,762	\$ 2,887,932	\$ 468,740	\$ 11,243,434	\$ 876,805	\$ 156,553	\$ 1,033,358	\$ 12,276,792

See accompanying notes.

New Hope Housing, Inc.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (206,948)	\$ 948,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	97,904	104,291
Amortization of forgivable loans	(29,232)	(29,232)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Government contracts receivable	529,379	309,241
Grants receivable	(326,251)	(71,492)
Deposits and other assets	(4,774)	2,323
Increase (decrease) in:		
Accounts payable and other accrued expenses	(40,899)	53,090
Accrued payroll	47,706	32,287
Accrued vacation	25,264	55,543
Accrued sick leave	-	(269,557)
Refundable advances	-	(3,913)
Unspent funds – CARES Act	(63,283)	(47,249)
Conditional grant – PPP	-	(838,951)
Net cash provided by operating activities	<u>28,866</u>	<u>245,219</u>
Cash Flows from Investing Activity		
Purchases of property and equipment	<u>(33,020)</u>	<u>(63,556)</u>
Net cash used in investing activity	<u>(33,020)</u>	<u>(63,556)</u>
Cash Flows from Financing Activity		
Payments under capital lease	<u>(4,247)</u>	<u>(15,089)</u>
Net cash used in financing activity	<u>(4,247)</u>	<u>(15,089)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(8,401)	166,574
Cash and Cash Equivalents, beginning of year	<u>1,312,024</u>	<u>1,145,450</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,303,623</u></u>	<u><u>\$ 1,312,024</u></u>

See accompanying notes.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions include both undesignated and Board-designated amounts. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve and a Board-designated fund.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the statements of cash flow, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Government Contracts Receivable

Government contracts receivable consists primarily of amounts due from county contract services. The entire amount is expected to be collected within one year, and is recorded at net realizable value. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of receivables. There is no provision for doubtful accounts, based on management's evaluation of receivables at June 30, 2022 and 2021, as management deems all government contracts receivable to be fully collectible.

Grants Receivable

Grants receivable consists of amounts due to be reimbursed to the Organization for expenses incurred under federal and state government grant agreements. The entire amount is expected to be collected within one year, and is recorded at net realizable value. There is no provision for doubtful grants, based on management's evaluation of grants receivable at June 30, 2022 and 2021, as management deems all grants receivable to be fully collectible.

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 40 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

Revenue Accounted for in Accordance with Contribution Accounting

Federal and state grants are nonreciprocal and recognized as contributions. Typically, government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses, are cost-reimbursable. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Costs incurred in excess of cash received are reflected as grants receivable in the accompanying statements of financial position. Amounts received prior to incurring qualifying expenditures are reported as conditional grants in the statements of financial position.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Grants and contributions are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to satisfaction of grant conditions are reported as conditional grants in the statements of financial position. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Other Revenue

County contract services revenue is recognized when performance obligations are completed. When cash advances exceed the revenue recognized, a liability is recorded.

Client rental income is recognized at a point in time when a monthly performance obligation is transferred to the tenants. The amount recognized is the amount that reflects the consideration received or expected to be received in exchange for tenants' rights of using the rented space.

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.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

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 958-605-25-16, *Contributed Services*.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred, and totaled \$17,207 and \$8,744 for the years ended June 30, 2022 and 2021, respectively.

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.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 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 for the Organization's fiscal year ending June 30, 2023. Management continues to evaluate the potential impact of this update on the Organization's financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 9, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2022	2021
Cash and cash equivalents	\$ 1,303,623	\$ 1,312,024
Government contracts receivable	928,935	1,458,314
Grants receivable	468,670	142,419
Total financial assets	2,701,228	2,912,757
Less: Board-designated fund	(937,328)	(937,328)
Total available for general expenditures	<u>\$ 1,763,900</u>	<u>\$ 1,975,429</u>

The Organization strives to maintain financial assets sufficient to cover 90 days of general expenditures. As part of this liquidity management, the Organization invests cash and cash equivalents in excess of daily requirements in various short-term investments. As described in Note 9 to the financial statements, the Organization also has a committed line of credit in the amount of \$250,000 that it could draw upon in the event of an unanticipated liquidity need.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents. The Organization maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC 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 contracts and grants 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, 2022 and 2021, the Organization recognized \$10,615,376 and \$10,247,600, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 88% and 77% of total revenue and support for the years ended June 30, 2022 and 2021, respectively. Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Land	\$ 695,364	\$ 695,364
Buildings and improvements	2,263,415	2,243,265
Furniture and equipment	272,510	259,640
Vehicles	155,404	155,404
Total property and equipment	3,386,693	3,353,673
Less: accumulated depreciation and amortization	(1,654,554)	(1,556,650)
Property and equipment, net	<u>\$ 1,732,139</u>	<u>\$ 1,797,023</u>

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

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 service. 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.

Management believes the conditions of forgiveness related to these loans are substantially met after 10 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 10 years ratably recognized as revenue over the remaining 10 years. The revenue is recorded as amortization of forgivable loans and is included in federal and state grants in the accompanying statements of activities. 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 eight 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 both years ended June 30, 2022 and 2021, which was included in federal and state grants in the accompanying statements of activities. Forgivable loans totaled \$146,163 and \$175,395 at June 30, 2022 and 2021, respectively, which are included in the accompanying statements of financial position.

Total future payments are as follows for the years ending June 30:

2023	\$	29,232
2024		29,232
2025		29,232
2026		29,232
2027		29,235
		<hr/>
Total future payments	\$	<u>146,163</u>

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

7. FCRHA Loans

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

	<u>2022</u>	<u>2021</u>
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.	<u>55,134</u>	<u>55,134</u>
Total FCRHA loans	<u><u>\$ 1,065,072</u></u>	<u><u>\$ 1,065,072</u></u>

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

7. FCRHA Loans (continued)

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.

8. CARES Act Stimulus Funding

On May 27, 2020, the Organization obtained funds from the County of Fairfax, Virginia under the Coronavirus Aid, Relief, and Economic Security (CARES) Act program in the amount of \$200,000. Management intended to use the entire amount for eligible expenses. Any unspent funds after December 31, 2021 were required to be returned to the government. The remaining balance of this fund totaled \$0 and \$63,283 at June 30, 2022 and 2021, respectively.

9. 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%, which was 8.25% and 4.00% at June 30, 2022 and 2021, respectively. There was no outstanding balance on this line of credit at June 30, 2022 and 2021.

10. Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and employee benefits, consulting and contractual services, occupancy, depreciation and amortization, telecommunication, and other expenses, which are allocated on the basis of estimates of time and effort.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

11. Commitments and Contingencies

Operating Leases

Office Leases

The Organization leases office space in Suite C at 8407 Richmond Highway, Alexandria, Virginia that is set to expire on December 31, 2024. The lease has a 3% escalation rate of the previous base rent. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is not reflected in the accompanying statements of financial position due to immateriality.

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

2023	\$ 35,370
2024	36,426
2025	<u>18,480</u>
Total future minimum lease payments	<u><u>\$ 90,276</u></u>

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 year or are on a month-to-month basis.

Rent expense under all operating leases for the years ended June 30, 2022 and 2021 was \$2,565,566 and \$1,779,503, respectively.

Equipment Lease

The Organization also leases office equipment under an operating lease that is set to expire in January 2026.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

11. Commitments and Contingencies (continued)

Equipment Lease (continued)

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

2023	\$ 29,688
2024	29,688
2025	29,688
2026	<u>17,318</u>
Total future minimum lease payments	<u>\$ 106,382</u>

Capital Lease

The Organization leases office equipment under a capital lease that expired in 2022. Capitalized costs are reflected in property and equipment at the gross amount of \$68,178 at both June 30, 2022 and 2021. Accumulated depreciation for the leased equipment was \$68,178 and \$64,462 at June 30, 2022 and 2021, respectively. Depreciation expense for the leased equipment was \$3,716 and \$13,635 for the years ended June 30, 2022 and 2021, 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, a potential contingency exists to refund any amounts received in excess of allowable costs. Management is of the opinion that no material liability exists.

12. 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, 2022 and 2021. 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.

New Hope Housing, Inc.

Notes to the Financial Statements June 30, 2022 and 2021

12. Retirement Plan (continued)

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, 2022 and 2021 were \$92,026 and \$82,824, respectively.

13. 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:

	2022	2021
	<u> </u>	<u> </u>
Food	\$ 111,154	\$ 342,849
Furniture and household items	<u>116,951</u>	<u>145,601</u>
Total in-kind contributions	<u><u>\$ 228,105</u></u>	<u><u>\$ 488,450</u></u>

14. Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), 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 for the years ending June 30, 2022 and 2021. 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 SCHEDULE AND REPORTS REQUIRED
BY THE UNIFORM GUIDANCE**

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

To the Board of Directors 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, 2022; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated May 9, 2023.

Report on 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”) as a basis for designing 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.

Report on Internal Control over Financial Reporting (continued)

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

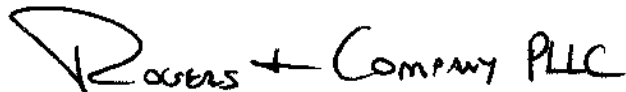
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002.

The Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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

Vienna, Virginia
May 9, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited New Hope Housing, Inc.'s ("the Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB 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, 2022. 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.

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 each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

Basis for Opinion on Each Major Federal Program (continued)

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Auditor's Responsibilities for the Audit of Compliance (continued)

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

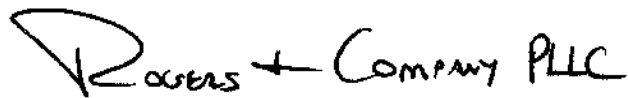
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Report on Internal Control over Compliance (continued)

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

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

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

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is stylized, with the "R" being particularly large and the "+" sign being a simple cross.

Vienna, Virginia
May 9, 2023

New Hope Housing, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>				
U.S. Department of Housing and Urban Development				
<i><u>Direct Awards:</u></i>				
Continuum of Care Program	14.267		\$ -	\$ 1,370,251
Supportive Housing Program	14.235	VA39B601001	-	29,232
<i><u>Pass-Through Awards from Virginia Department of Housing and Community Development:</u></i>				
Emergency Solutions Grant Program	14.231	20-CHERP-058	-	573,737
Emergency Solutions Grant Program	14.231	20-CHERP-140	-	191,172
Emergency Solutions Grant Program	14.231	22-VHSP-058	-	66,948
Emergency Solutions Grant Program	14.231	22-VHSP-140	-	64,068
Total ALN 14.231			-	895,925
<i><u>Pass-Through Awards from County of Fairfax, Virginia:</u></i>				
Community Development Block Grants/Entitlement Grants	14.218	4400010942	-	21,180
Total U.S. Department of Housing and Urban Development Awards			-	2,316,588
Total Expenditures of Federal Awards			\$ -	\$ 2,316,588

(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, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Prior Years' Federal Awards for Which Continued Compliance Is Required</u>				
U.S. Department of Housing and Urban Development				
<i><u>Direct Award:</u></i>				
Supportive Housing Program	14.235	VA39B601001	\$ -	\$ 146,163
<i><u>Pass-Through from Fairfax County Redevelopment and Housing Authority:</u></i>				
Community Development Block Grants/Entitlement Grants – Housing Acquisition Funds	14.218		-	1,034,359
Community Development Block Grants/Entitlement Grants – Housing Acquisition Funds (Neighborhood Stabilization Program)	14.218		-	30,713
Total ALN 14.218			-	1,065,072
Total Prior Years' Expenditures of Federal Awards for Which Continued Compliance Is Required			<u>\$ -</u>	<u>\$ 1,211,235</u>

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, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under the programs of the federal government for the year ended June 30, 2022. The information in the SEFA 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 SEFA 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 SEFA 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.

3. Indirect Cost Rate

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, 2022.

5. Federal Loans

In prior years, the Organization received certain loan assistance grants directly from the 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 outstanding balance of these loans at the end of the year is included in the SEFA, as there are continuing compliance requirements. There were no new loan assistance grants received by the Organization in fiscal year 2022. The balance of all loans outstanding at June 30, 2022 was \$1,211,235.

New Hope Housing, Inc.

Notes to the Schedule of Expenditures of Federal Awards (continued) For the Year Ended June 30, 2022

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 SEFA 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, 2022, is as follows:

Federal expenditures per the schedule of expenditures of federal awards	\$ 2,316,588
Add: non-federal grants	<u>150,461</u>
 Federal and state grants per statement of activities	 <u><u>\$ 2,467,049</u></u>

New Hope Housing, Inc.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? X Yes 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)? X Yes No

Identification of the major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster Title</u>
14.267	Continuum of Care Program
14.231	Emergency Solutions Grant Program

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

Auditee qualified as low-risk auditee? Yes X No

New Hope Housing, Inc.

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022**

Section II – Findings – Financial Statement Audit

Finding No. 2022-001 – Material Weakness – Year-End Closing Procedures

<u>Condition:</u>	We noted that year-end closing procedures were delayed, which resulted in a delayed start of the audit and closing adjustments during the audit process, after the initial trial balance was submitted. This delay also led to audit adjustments.
<u>Criteria:</u>	The Organization should reconcile all significant accounts on a monthly basis, the reconciliations should be reviewed by an independent person, and evidence of review should be documented.
<u>Cause:</u>	Turnover in a key accounting position close to the year end, which caused a delay in year-end closing procedures.
<u>Effect:</u>	The Organization did not close the year on a timely basis.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The fiscal year 2022 audit work did not commence until March 2023, and was not completed until May 2023. This delayed start was attributable to turnover in a key accounting position during the year.
<u>Identification as a Repeat Finding:</u>	No.
<u>Recommendation:</u>	The Organization should reconcile all significant accounts on a monthly basis, the reconciliations should be reviewed by an independent person, and evidence of review should be documented. Also, timely reconciliations will help to ensure that possible errors are identified and addressed in a timely manner. The longer errors accumulate without being detected, the longer it takes to reconcile accounts later, and the financial information is not accurate and up to date. We recommend that the Organization review its current processes and take any necessary steps to ensure accounts are reconciled in a timely manner.
<u>Views of Responsible Officials and Planned Corrective Action:</u>	See Corrective Action Plan.

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022

Section II – Findings – Financial Statement Audit (continued)

Finding No. 2022-002 – Material Weakness – Preparation of Schedule of Expenditures of Federal Awards

Condition: The schedule of expenditures of federal awards (SEFA) was not prepared in accordance with 2 CFR section 200.510(b).

Criteria: A schedule prepared in accordance with 2 CFR section 200.510(b) must contain, at minimum, where applicable:

- a) The period covered by the schedule must be the same as that covered by the financial statements
- b) Total federal awards expended in the period covered by the financial statements
- c) The federal programs be listed individually by federal agency
- d) Total federal awards expended for each individual federal program
- e) Total federal awards expended for each cluster of programs
- f) Assistance Listing Number (ALN) or other identifying number when an ALN is not available
- g) For federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity
- h) Total amount provided to subrecipients from each federal program
- i) Notes describing the following:
 - Significant accounting policies used in preparing the schedule
 - Whether the entity did or did not elect to use the 10% *de minimis* indirect cost rate

Cause: The Organization did not have an internal control system designed for the preparation of the SEFA.

Effect: The Organization's original SEFA was not prepared in accordance with 2 CFR section 200.510(b).

Questioned Costs: None.

New Hope Housing, Inc.

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022**

Section II – Findings – Financial Statement Audit (continued)

Finding No. 2022-002 – Material Weakness – Preparation of Schedule of Expenditures of Federal Awards (continued)

Context: Proper procedures and monitoring by management and accounting professionals were not in place to oversee the preparation of the SEFA in accordance with 2 CFR section 200.510(b).

Identification as a Repeat Finding: No.

Recommendation: To help ensure that the Organization's SEFA is accurate, complete, and prepared in accordance with 2 CFR section 200.510(b) requirements, the Organization should develop and implement written policies and procedures to identify in its accounting records all federal awards the Organization receives and disburses. In addition, for each federal award, the Organization's records should include the ALN, program name, federal award identification number and year, name of the federal awarding agency and pass-through grantor, and pass-through grantor number, if applicable. Also, these policies and procedures should require that the SEFA be reviewed and approved by someone who is independent of the SEFA's preparation and knowledgeable about the Uniform Guidance requirements. Further, employees who are responsible for administering the Organization's federal awards and preparing the Organization's SEFA should be trained on these policies and procedures, and the Uniform Guidance requirements for accounting for and reporting federal award expenditures. We recommend that the Organization establish controls and procedures to ensure that the SEFA is prepared accurately and timely, as required by the Uniform Guidance, including implementing proper monitoring over the accounting function.

Views of Responsible Officials and Planned Corrective Action: See Corrective Action Plan.

New Hope Housing, Inc.

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2022

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

Finding No. 2022-003 – Non-Compliance – Delay in Submission of the OMB Reporting Package

<u>ALN:</u>	14.267, 14.235, 14.231, 14.218
<u>Condition:</u>	The Organization did not file the OMB reporting package within nine months of the fiscal year end as required per the Uniform Guidance.
<u>Criteria:</u>	The Uniform Guidance and the Federal award documents require the submission of audits and required reports within nine months of the fiscal year end.
<u>Cause:</u>	Turnover in a key accounting position close to the year end, which caused a delayed start of the annual audit.
<u>Effect:</u>	The Organization failed to perform the required audit and reporting requirements within the required time frame as required by the Uniform Guidance.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	The fiscal year 2022 audit work did not commence until March 2023, and was not completed until May 2023. This delayed start was attributable to turnover in a key accounting position during the year.
<u>Identification as a Repeat Finding:</u>	No.
<u>Recommendation:</u>	We recommend the Organization complete all reports required under the Federal award document and submit the reports in a timely manner. The Organization should improve financial close-out procedures and obtain the audit required under the Uniform Guidance within nine months of the fiscal year end.
<u>Views of Responsible Officials and Planned Corrective Action:</u>	See Corrective Action Plan.

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2022

May 9, 2023

New Hope Housing, Inc. ("the Organization") respectfully submits the following Corrective Action Plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Rogers and Company, PLLC
8300 Boone Blvd, Suite 600
Vienna, Virginia 22182

Audit Period:

07/01/2021 to 06/30/2022

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2022 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II – Findings – Financial Statement Audit

Finding No. 2022-001 – Material Weakness – Year-End Closing Procedures

Recommendation: The Organization should reconcile all significant accounts on a monthly basis, the reconciliations should be reviewed by an independent person, and evidence of review should be documented. Also, timely reconciliations will help to ensure that possible errors are identified and addressed in a timely manner. The longer errors accumulate without being detected, the longer it takes to reconcile accounts later, and the financial information is not accurate and up to date. We recommend that the Organization review its current processes and take any necessary steps to ensure accounts are reconciled in a timely manner.

Views of Responsible Officials and Planned Corrective Action: Management agrees with our recommendation, and action will be taken to address the condition within the next fiscal year.

Person Responsible: Brian Ford
Director of Finance
bford@newhopehousing.org
703-799-2293 x13

Planned Completion Date: June 30, 2023

Section II – Findings – Financial Statement Audit (continued)

Finding No. 2022-002 – Material Weakness – Preparation of Schedule of Expenditures of Federal Awards

Recommendation: To help ensure that the Organization's SEFA is accurate, complete, and prepared in accordance with 2 CFR section 200.510(b) requirements, the Organization should develop and implement written policies and procedures to identify in its accounting records all federal awards the Organization receives and disburses. In addition, for each federal award, the Organization records should include the ALN, program name, federal award identification number and year, name of the federal awarding agency and pass-through grantor, and pass-through grantor number, if applicable. Also, these policies and procedures should require that the SEFA be reviewed and approved by someone who is independent of the SEFA's preparation and knowledgeable about the Uniform Guidance requirements. Further, employees who are responsible for administering the Organization's federal awards and preparing the Organization's SEFA should be trained on these policies and procedures and the Uniform Guidance requirements for accounting for and reporting federal award expenditures. We recommend that the Organization establish controls and procedures to ensure that the SEFA is prepared accurately and timely, as required by the Uniform Guidance, including implementing proper monitoring over the accounting function.

Views of Responsible Officials and Planned Corrective Action: Management agrees with our recommendation, and action will be taken to address the condition within the next fiscal year.

Person Responsible: Brian Ford
Director of Finance
bford@newhopehousing.org
703-799-2293 x13

Planned Completion Date: June 30, 2023

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

Finding No. 2022-003 – Non-Compliance – Delay in Submission of the OMB Reporting Package

ALN: 14.267, 14.235, 14.231, 14.218

Recommendation: We recommend the Organization complete all reports required under the Federal award document and submit the reports in a timely manner. The Organization should improve financial close-out procedures and obtain the audit required under the Uniform Guidance within nine months of the fiscal year end.

Views of Responsible Officials and Planned Corrective Action: Management agrees with our recommendation, and action will be taken to address the condition within the next fiscal year.

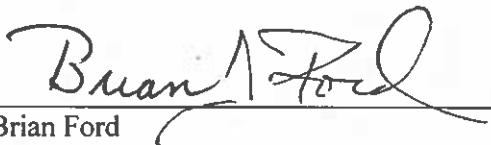
Person Responsible: Brian Ford
Director of Finance
bford@newhopehousing.org
703-799-2293 x13

Planned Completion Date: June 30, 2023

New Hope Housing, Inc.



William W. Gorman
Interim Executive Director



Brian Ford
Director of Finance

New Hope Housing, Inc.

Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no federal award findings or questioned costs reported for the June 30, 2021 audit.