



Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

**Consolidated Financial Statements and
Supplementary Information**

Years Ended June 30, 2018 and 2017

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Independent Auditors' Report

Board of Directors
Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information on pages 3-6 and the consolidated schedules of functional expenses are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position or results of operations of the individual organizations, and are not a required part of the consolidated 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*, is presented for purposes of additional analysis, and is also not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 Report date, 2018, on our consideration of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Richmond, Virginia
November 5, 2018**

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Financial Position, With Consolidating Information
June 30, 2018

	<u>Consolidating Information</u>		<u>Consolidated</u>
	<u>H.O.M.E.</u>	<u>Foundation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 674,434	\$ 82,501	\$ 756,935
Investments	-	8,415,590	8,415,590
Accounts receivable, grants and contracts	470,221	-	470,221
Current portion of contributions receivable	1,150,000	-	1,150,000
Accounts receivable, other	16,801	8,418	25,219
Prepaid expenses	47,219	-	47,219
Due (to) from	50,000	(50,000)	-
Other current assets	13,300	-	13,300
	<u>2,421,975</u>	<u>8,456,509</u>	<u>10,878,484</u>
Total current assets	2,421,975	8,456,509	10,878,484
Property and equipment, net	39,488	-	39,488
Contributions receivable, less current portion, net	2,153,568	-	2,153,568
	<u>2,193,056</u>	<u>-</u>	<u>2,193,056</u>
Total other assets	2,193,056	-	2,193,056
Total assets	<u>\$ 4,615,031</u>	<u>\$ 8,456,509</u>	<u>\$ 13,071,540</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 33,969	\$ 10,560	\$ 44,529
Accrued payroll liabilities	202,296	-	202,296
Deferred rent, current portion	5,021	-	5,021
	<u>261,370</u>	<u>10,560</u>	<u>251,846</u>
Total current liabilities	261,370	10,560	251,846
Deferred rent, less current portion	20,084	-	20,084
	<u>261,370</u>	<u>10,560</u>	<u>271,930</u>
Total liabilities	261,370	10,560	271,930
Net assets:			
Unrestricted, undesignated	491,548	8,445,949	8,937,497
Unrestricted, board designated	154,300	-	154,300
Total unrestricted net assets	<u>645,848</u>	<u>8,445,949</u>	<u>9,091,797</u>
Temporarily restricted	3,707,813	-	3,707,813
	<u>4,353,661</u>	<u>8,445,949</u>	<u>12,799,610</u>
Total net assets	4,353,661	8,445,949	12,799,610
Total liabilities and net assets	<u>\$ 4,615,031</u>	<u>\$ 8,456,509</u>	<u>\$ 13,071,540</u>

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Financial Position, With Consolidating Information
June 30, 2017

	<u>Consolidating Information</u>		<u>Consolidated Total</u>
	<u>H.O.M.E.</u>	<u>Foundation</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 440,687	\$ 35,175	\$ 475,862
Investments	-	7,981,712	7,981,712
Accounts receivable, grants and contracts	486,883	-	486,883
Accounts receivable, other	6,035	-	6,035
Prepaid expenses	58,622	-	58,622
Due (to) from	52,625	(52,625)	-
Other current assets	13,589	-	13,589
	<u>1,058,441</u>	<u>7,964,262</u>	<u>9,022,703</u>
Property and equipment, net	22,951	-	22,951
	<u>22,951</u>	<u>-</u>	<u>22,951</u>
Total assets	<u>\$ 1,081,392</u>	<u>\$ 7,964,262</u>	<u>\$ 9,045,654</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 50,953	\$ 10,016	\$ 60,969
Accrued payroll liabilities	198,114	-	198,114
Deferred rent, current portion	7,317	-	7,317
	<u>256,384</u>	<u>10,016</u>	<u>266,400</u>
Total current liabilities	<u>256,384</u>	<u>10,016</u>	<u>266,400</u>
Other liabilities	7,324	-	7,324
	<u>7,324</u>	<u>-</u>	<u>7,324</u>
Total long-term liabilities	<u>7,324</u>	<u>-</u>	<u>7,324</u>
Total liabilities	<u>263,708</u>	<u>10,016</u>	<u>273,724</u>
Net assets:			
Unrestricted, undesignated	423,400	7,954,246	8,377,646
Unrestricted, board designated	142,390	-	142,390
Total unrestricted net assets	<u>565,790</u>	<u>7,954,246</u>	<u>8,520,036</u>
Temporarily restricted	251,894	-	251,894
	<u>251,894</u>	<u>-</u>	<u>251,894</u>
Total net assets	<u>817,684</u>	<u>7,954,246</u>	<u>8,771,930</u>
Total liabilities and net assets	<u>\$ 1,081,392</u>	<u>\$ 7,964,262</u>	<u>\$ 9,045,654</u>

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Activities, With Consolidating Information
Year Ended June 30, 2018

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support:						
Grants and contracts	\$ -	\$ 1,732,915	\$ 1,732,915	\$ -	\$ -	\$ 1,732,915
Contributions	83,705	4,729,552	4,813,257	-	(50,000)	4,763,257
Net investment income	1,508	-	1,508	545,112	-	546,620
Miscellaneous	74,866	-	74,866	-	-	74,866
Loan repayments	3,683	-	3,683	-	-	3,683
Legal settlements	267,349	-	267,349	-	-	267,349
	431,111	6,462,467	6,893,578	545,112	(50,000)	7,388,690
Net assets released from restrictions	3,006,548	(3,006,548)	-	-	-	-
Total revenue and support	3,437,659	3,455,919	6,893,578	545,112	(50,000)	7,388,690
Expenses:						
Program services	3,120,465	-	3,120,465	50,000	(50,000)	3,120,465
Management and general	124,385	-	124,385	3,409	-	127,794
Fundraising	112,751	-	112,751	-	-	112,751
Total expenses	3,357,601	-	3,357,601	53,409	(50,000)	3,361,010
Change in net assets:						
Unrestricted	80,058	-	80,058	491,703	-	571,761
Temporarily restricted	-	3,455,919	3,455,919	-	-	3,455,919
Total change in net assets	80,058	3,455,919	3,535,977	491,703	-	4,027,680
Net assets, beginning of year	565,790	251,894	817,684	7,954,246	-	8,771,930
Net assets, end of year	\$ 645,848	\$ 3,707,813	\$ 4,353,661	\$ 8,445,949	\$ -	\$ 12,799,610

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Activities, With Consolidating Information
Year Ended June 30, 2017

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support:						
Grants and contracts	\$ -	\$ 1,816,232	\$ 1,816,232	\$ -	\$ -	\$ 1,816,232
Contributions	449,636	126,529	576,165	-	(402,628)	173,537
Net investment income	493	-	493	771,234	-	771,727
Miscellaneous	90,635	-	90,635	-	-	90,635
Loan repayments	100	-	100	-	-	100
Legal settlements	92,473	28,800	121,273	-	-	121,273
	633,337	1,971,561	2,604,898	771,234	(402,628)	2,973,504
Net assets released from restrictions	2,198,909	(2,198,909)	-	-	-	-
Total revenue and support	2,832,246	(227,348)	2,604,898	771,234	(402,628)	2,973,504
Expenses:						
Program services	2,578,879	-	2,578,879	402,628	(402,628)	2,578,879
Management and general	151,335	-	151,335	3,642	-	154,977
Fundraising	103,794	-	103,794	-	-	103,794
Total expenses	2,834,008	-	2,834,008	406,270	(402,628)	2,837,650
Change in net assets:						
Unrestricted	(1,762)	-	(1,762)	364,964	-	363,202
Temporarily restricted	-	(227,348)	(227,348)	-	-	(227,348)
Total change in net assets	(1,762)	(227,348)	(229,110)	364,964	-	135,854
Net assets, beginning of year	567,552	479,242	1,046,794	7,589,282	-	8,636,076
Net assets, end of year	\$ 565,790	\$ 251,894	\$ 817,684	\$ 7,954,246	\$ -	\$ 8,771,930

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,027,680	\$ 135,854
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,974	10,857
Net realized and unrealized gains on investments	(386,579)	(617,718)
Change in assets and liabilities:		
Accounts receivable, grants and contracts	16,662	203,917
Contributions receivable, net	(3,303,568)	-
Accounts receivable, other	(10,766)	(5,335)
Prepaid expenses	11,403	16,287
Other current assets	289	(428)
Accounts payable and accrued expenses	(16,440)	28,861
Accrued payroll liabilities	4,182	(13,197)
Deferred rent liability	17,788	(11,405)
Other current liabilities	(7,324)	(7,576)
	<u>362,301</u>	<u>(259,883)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(25,511)	(8,671)
Purchase of investments	(176,674)	(320,257)
Proceeds from sale of investments	120,957	515,794
	<u>(81,228)</u>	<u>186,866</u>
Net cash (used) provided by investing activities		
Net increase (decrease) in cash and cash equivalents	281,073	(73,017)
Cash and cash equivalents, beginning of year	<u>475,862</u>	<u>548,879</u>
Cash and cash equivalents, end of year	<u>\$ 756,935</u>	<u>\$ 475,862</u>

See accompanying notes.

Notes to Consolidated Financial Statements

1. Organization and Nature of Activities

Housing Opportunities Made Equal of Virginia, Inc. (H.O.M.E.) is a Virginia not-for-profit organization that promotes equal opportunities in housing. Operations are conducted in Virginia and are supported primarily through governmental grants and private funds. H.O.M.E. formed a related organization (the Affiliate), Virginia Equal Housing Foundation (Foundation), to hold investments exclusively for the benefit of, to perform the functions of, or to carry out the purposes of H.O.M.E.

2. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of Housing Opportunities Made Equal of Virginia, Inc. and Virginia Equal Housing Foundation (collectively, the Organization). The Foundation is consolidated since H.O.M.E. has both an economic interest in and control of the Foundation through a majority voting interest of its governing board. All significant intercompany transactions have been eliminated in the consolidation.

Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The financial statements report amounts separately by class of assets as follows:

Unrestricted amounts are those currently available at the discretion of the Organization's Board of Directors for use in the Organization's operations. At June 30, 2018 and 2017, board designated amounts of \$154,300 and \$142,390, respectively, were designated for fair housing initiatives.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. At June 30, 2018 and 2017, the restricted use of these amounts is based on grant contracts and donor agreements.

Permanently restricted amounts subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets at June 30, 2018 and 2017.

Cash equivalents

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate Notes to Consolidated Financial Statements

Property and equipment

Property and equipment are recorded at cost. Major repairs and betterments are capitalized. Maintenance and repairs are charged to expense as incurred. The Organization has a capitalization policy to capitalize items costing \$1,000 or more. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the consolidated statements of activities. Depreciation is provided for using the straight-line method over the estimated useful lives as follows for the major classes of assets: furniture and equipment over 3-7 years and leasehold improvements over 5 years.

Estimates

The preparation of consolidated 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 reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, contributions receivable, and accounts receivable. The Organization maintains its cash balances with high credit quality financial institutions. During 2018 and 2017, the Organization had cash and cash equivalents in a financial institution that may exceed the amount insured by agencies of the federal government. The Organization invests in various investment securities which are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the investment balances and the amounts reported in the consolidated financial statements. The Organization's ability to collect its receivables is dependent upon the financial condition of the debtors. During 2018, one contributor comprised 100% of contributions receivable and 45% of total revenue and support.

Allowance for doubtful accounts

Receivables are carried at their estimated realizable value, net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. There was no allowance at June 30, 2018 and 2017.

Legal settlement revenue

The Organization periodically files lawsuits as a result of violations of fair housing laws. The Organization recognizes legal settlements as revenue when an enforceable settlement contract is executed and collection is probable.

Contributions

Unconditional contributions are recognized as revenues when donors' commitments are received. Conditional contributions are recognized as revenues when the conditions are substantially met. Unconditional contributions are recognized at fair value and are classified in the appropriate net asset class based on donor stipulations. All temporarily restricted contributions are initially recorded in the temporarily restricted net asset class and then reclassified to the unrestricted net asset class when restrictions are satisfied.

Contributions of assets other than cash are recorded at their estimated fair value at the time of donation.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Notes to Consolidated Financial Statements

Income taxes

H.O.M.E and the Foundation are exempt from income tax under the Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 5, 2018, the date the consolidated financial statements were available to be issued.

3. Contributions Receivable

The Organization has elected to record all contributions receivable at fair value. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all pledges. The discount rate for 2018 was 4.5%.

Contributions receivable are summarized as follows as of June 30, 2018:

Expected to be collected in:		
Less than one year		\$ 1,150,000
One year to five years		1,150,000
Over five years		<u>1,150,000</u>
		3,450,000
Discount		<u>(146,432)</u>
Contributions receivable, net		<u>\$ 3,303,568</u>

Contributions receivable at June 30, 2018 are due from one contributor. Based on the credit worthiness of this contributor, no allowance for doubtful accounts has been recorded. There were no contributions receivable at June 30, 2017.

4. Investments

Investments held by the Organization, are summarized as follows:

	<u>June 30, 2018</u>		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Exchange traded funds	\$ 3,870,463	\$ 2,020,727	\$ 5,891,191
Mutual funds	2,535,465	(92,929)	2,442,537
Marketable debt securities	<u>76,678</u>	<u>5,186</u>	<u>81,862</u>
	<u>\$ 6,482,606</u>	<u>\$ 1,932,984</u>	<u>\$ 8,415,590</u>

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Notes to Consolidated Financial Statements

	June 30, 2017		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Exchange traded funds	\$ 3,209,167	\$ 1,648,677	\$ 4,857,844
Mutual funds	3,082,452	(45,764)	3,036,688
Marketable debt securities	<u>78,926</u>	<u>8,254</u>	<u>87,180</u>
	<u>\$ 6,370,545</u>	<u>\$ 1,611,167</u>	<u>\$ 7,981,712</u>

The following schedule summarized the investment return and its classification in the consolidated statements of activities at June 30 is summarized below:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 4,882	\$ 5,893
Dividend income	195,301	182,963
Realized gains	64,762	74,851
Unrealized gains	321,817	542,867
Other investment income	2,192	4,550
Investment management expenses	<u>(42,334)</u>	<u>(39,397)</u>
Total investment return	<u>\$ 546,620</u>	<u>\$ 771,727</u>

5. Fair Value Measurements

The Organization has adopted accounting standards which established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Notes to Consolidated Financial Statements

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds, exchange traded funds, and debt securities

Valued at the closing price reported on the active market on which the individual securities are traded.

Contributions receivable

Valued using the income approach based on discounted cash flows.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no changes in fair value measurement methods during 2018 and 2017.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Fair Value at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Corporate and government bonds	\$ 2,524,400	\$ -	\$ -	\$ 2,524,400
Exchange traded funds:				
Blended funds	2,502,880	-	-	2,502,880
Value funds	1,515,988	-	-	1,515,988
Ultrashort bonds	859,829	-	-	859,829
Growth funds	734,818	-	-	734,818
Emerging markets	277,675	-	-	277,675
Contributions receivable	-	-	3,303,568	3,303,568
Total	\$ 8,415,590	\$ -	\$ 3,303,568	\$ 11,719,158
	Fair Value at June 30, 2017			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Corporate and government bonds	\$ 3,123,868	\$ -	\$ -	\$ 3,123,868
Exchange traded funds:				
Blended funds	2,581,873	-	-	2,581,873
Value funds	1,377,099	-	-	1,377,099
Growth funds	630,210	-	-	630,210
Emerging markets	268,662	-	-	268,662
Total	\$ 7,981,712	\$ -	\$ -	\$ 7,981,712

Contributions receivable were established during 2018 in the gross amount of \$4,837,500, of which \$1,387,500 was collected during 2018 and a discount totaling \$146,432 was recognized.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Notes to Consolidated Financial Statements

6. Grants and Their Accounting Periods

Certain grants awarded to the Organization during its fiscal years ended June 30, 2018 and 2017 do not have accounting periods consistent with that of the Organization. The following is a list of the grants received and their accounting periods.

U.S. Department of Housing and Urban Development: Comprehensive Housing Counseling	September 30
Fair Housing Initiatives Program: Private Enforcement Initiative 16-17	December 15
Private Enforcement Initiative 18-19	March 15
Education and Outreach 16-17	December 15
City of Richmond: Keystone Program Citywide Down Payment Assistance	June 30
Housing Counseling and Information Services	June 30
Community Housing Empowerment NIB Down Payment Assistance	June 30
Fair Housing Support and Outreach	June 30
County of Chesterfield: Community Development Block Grant for Foreclosure Prevention	June 30
HOME Keystone Program for First-time Homebuyers	June 30
County of Henrico: Down Payment Assistance Program	September 30
Fair Housing Outreach and Education	September 30
Commonwealth of Virginia: State HOME Funds	December 31

During 2018 and 2017, approximately 21% and 53%, respectively, of support came from federal, state and local government sources. Any significant reduction in the level of this support would normally have a corresponding effect on the Organization's ability to maintain its current programs and services.

7. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 163,075	\$ 156,514
Leasehold improvements	<u>29,274</u>	<u>10,324</u>
	192,349	166,838
Accumulated depreciation	<u>(152,861)</u>	<u>(143,887)</u>
Property and equipment, net	<u>\$ 39,488</u>	<u>\$ 22,951</u>

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Notes to Consolidated Financial Statements

8. Commitments

The Organization has an operating lease for office space which expires on June 30, 2023. The Organization also leases certain equipment under non-cancellable operating leases expiring through July 2020. Minimum rental payments under these leases are as follows for future years ending June 30:

2019	\$	171,184
2020		175,853
2021		169,380
2022		170,045
2023		<u>175,201</u>
	\$	<u>861,663</u>

Rent expense for 2018 and 2017 was \$233,730 and \$227,779, respectively. In connection with the operating leases for office space, the Organization received a 2-month rent abatement period during 2018 where no rents were paid. The value of the free rent is deferred and amortized on a straight line basis over the life of the lease. The total amount of the liability at June 30, 2018 was \$25,105. Accumulated amortization was \$837 at June 30, 2018.

9. Retirement Plan

The Organization offers a deferred contribution plan under Internal Revenue Code Section 403(b) to provide retirement benefits for its employees. Eligible employees must work at least 1,000 hours annually. The Organization made contributions to the plan in fiscal 2018 and 2017 of \$62,192 and \$59,747, respectively.

Supplementary Information

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2018

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Housing Counseling & Education	Fair Housing	Housing Policy & Consulting Service				
Salaries/personnel	\$ 658,226	\$ 353,297	\$ 22,900	\$ 1,034,423	\$ 313,889	\$ 41,256	\$ 1,389,568
Direct client assistance	975,040	-	1,000	976,040	-	-	976,040
Fringe benefits	174,928	93,017	6,742	274,687	84,210	11,429	370,326
Occupancy	124,519	81,141	7,008	212,668	10,297	10,765	233,730
Professional and contract services	4,081	56,960	5,850	66,891	71,719	9,620	148,230
Miscellaneous	7,142	24,459	66	31,667	19,196	19,968	70,831
Training and professional activities	12,604	30,352	-	42,956	3,612	50	46,618
Supplies and materials	18,016	9,004	128	27,148	16,735	375	44,258
Telephone	2,025	2,625	-	4,650	16,667	-	21,317
Liability insurance	-	-	-	-	14,233	-	14,233
Equipment rental and acquisitions	-	3,657	-	3,657	9,971	-	13,628
Depreciation	-	-	-	-	8,974	-	8,974
Printing	6,057	1,129	231	7,417	-	190	7,607
Travel	949	4,941	139	6,029	710	552	7,291
Membership dues	150	540	100	790	3,569	591	4,950
Foundation expenses	-	-	-	-	3,409	-	3,409
Indirect costs	287,554	132,870	11,018	431,442	(449,397)	17,955	-
	<u>\$ 2,271,291</u>	<u>\$ 793,992</u>	<u>\$ 55,182</u>	<u>\$ 3,120,465</u>	<u>\$ 127,794</u>	<u>\$ 112,751</u>	<u>\$ 3,361,010</u>

See independent auditors' report.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2017

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Housing Counseling & Education	Fair Housing	Housing Policy & Consulting Service				
Salaries/personnel	\$ 509,132	\$ 318,369	\$ 83,073	\$ 910,574	\$ 326,509	\$ 46,284	\$ 1,283,367
Direct client assistance	723,809	-	-	723,809	-	-	723,809
Fringe benefits	124,684	78,457	19,291	222,432	80,828	10,527	313,787
Occupancy	113,032	78,899	15,697	207,628	9,978	10,173	227,779
Professional and contract services	3,809	46,618	605	51,032	59,803	12,574	123,409
Miscellaneous	5,337	10,736	3,789	19,862	13,963	2,016	35,841
Training and professional activities	943	11,821	25	12,789	20,282	75	33,146
Telephone	1,800	1,575	-	3,375	14,954	-	18,329
Supplies and materials	5,867	1,924	45	7,836	7,021	285	15,142
Printing	11,421	2,089	953	14,463	-	589	15,052
Liability insurance	-	-	-	-	13,324	-	13,324
Depreciation	-	-	-	-	10,857	-	10,857
Travel	1,664	6,246	893	8,803	344	386	9,533
Equipment rental and acquisitions	-	934	-	934	5,866	-	6,800
Foundation expenses	-	-	-	-	3,647	-	3,647
Membership dues	120	1,365	-	1,485	1,670	673	3,828
Indirect costs	218,064	141,830	33,963	393,857	(414,069)	20,212	-
	<u>\$ 1,719,682</u>	<u>\$ 700,863</u>	<u>\$ 158,334</u>	<u>\$ 2,578,879</u>	<u>\$ 154,977</u>	<u>\$ 103,794</u>	<u>\$ 2,837,650</u>

See independent auditors' report.

Compliance Section

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*

Board of Directors
Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Richmond, Virginia

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 consolidated financial statements of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's consolidated 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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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.

Dixon Hughes Goodman LLP

Richmond, Virginia
November 5, 2018

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Richmond, Virginia

Report on Compliance for the Major Federal Program

We have audited Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's major federal program for the year ended June 30, 2018. Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's compliance.

Opinion on the Major Federal Program

In our opinion, Housing Opportunities Made Equal of Virginia, Inc. and Affiliate 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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate 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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 Housing Opportunities Made Equal of Virginia, Inc. and Affiliate'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.

Dixon Hughes Goodman LLP

Richmond, Virginia
November 5, 2018

Housing Opportunities Made Equal of Virginia, Inc.

***Schedule of Expenditures of Federal Awards,
Notes to Schedule of Expenditures of Federal Awards
and
Schedule of Findings and Questioned Costs***

June 30, 2018

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
U. S. Department of Housing and Urban Development				
Housing Counseling Program				
Comprehensive Housing Counseling 16-17, Subcontract with the Virginia Housing Development Authority	14.169	None	-	\$ 29,064
Comprehensive Housing Counseling 17-18, Subcontract with the Virginia Housing Development Authority	14.169	None	-	34,500
Total Housing Counseling Program				<u>63,564</u>
Fair Housing Initiatives Program				
Education & Outreach Initiative 16-17	14.408	None	-	82,467
Private Enforcement Initiative 16-17	14.408	None	-	155,534
Private Enforcement Initiative 18-19	14.408	None	-	91,891
Total Fair Housing Initiatives Program				<u>329,892</u>
Community Development Block Grant (CDBG) Program				
County of Chesterfield				
CDBG Foreclosure Prevention	14.228	None	-	14,500
County of Henrico				
Downpayment Assistance Program, (Counseling and Loan Processing Fees) 16-17	14.228	None	-	13,750
Downpayment Assistance Program, (Counseling and Loan Processing Fees) 17-18	14.228	None	-	19,250
Fair Housing Outreach & Education 16-17	14.228	None	-	779
Fair Housing Outreach & Education 17-18	14.228	None	-	12,927
City of Richmond				
CDBG Keystone Program for First-time Homebuyers, Richmond Citywide	14.228	None	-	205,216
Fair Housing Outreach & Education	14.228	None	-	60,000
Housing Information & Counseling Program	14.228	None	-	175,000
Total CDBG Program				<u>501,422</u>

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

(Continued)

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
U. S. Department of Housing and Urban Development (continued)				
Home Investment Partnerships (HOME) Program				
City of Richmond				
Neighborhoods in Bloom-Downpayment Assistance Program	14.239	None	-	353,738
County of Chesterfield				
HOME Keystone Program for First-time Homebuyers	14.239	None	-	94,896
Commonwealth of Virginia				
Downpayment Assistance Program for State HOME Funds 2017				
	14.239	None	-	37,900
Downpayment Assistance Program for State HOME Funds 2018				
	14.239	None	-	69,591
County of Henrico				
Downpayment Assistance Program for First-time Homebuyers 16-17				
	14.239	None	-	50,148
Downpayment Assistance Program for First-time Homebuyers 17-18				
	14.239	None	-	65,822
City of Richmond				
Analysis of Impediments	14.239	None	-	15,000
Total HOME Program				687,095
				\$ 1,581,973

Housing Opportunities Made Equal of Virginia, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Housing Opportunities Made Equal of Virginia, Inc. (Organization). The information in this 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). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Findings and Questioned Costs
June 30, 2018

1. Summary of Auditors' Results

- a. An unmodified opinion was issued on the consolidated financial statements.
- b. There were no material weaknesses or significant deficiencies in internal control disclosed by the audit over financial reporting.
- c. The audit did not disclose any noncompliance that would be material to the consolidated financial statements.
- d. There were no material weaknesses or significant deficiencies in internal control over major programs to disclose.
- e. An unmodified opinion was issued on compliance for the major program.
- f. The audit did not disclose any audit findings required to be reported in accordance with Uniform Guidance.
- g. The major program is:
Home Investment Partnerships (HOME) Program - CFDA 14.239
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. The auditee qualified as a low-risk auditee.

2. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

None

4. Status of Prior Year Findings

No findings in prior year.