



Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

**Consolidated Financial Statements and
Supplementary Information**

Years Ended June 30, 2016 and 2015

DHG
DIXON HUGHES GOODMAN LLP

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Independent Auditors' Report

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

We have audited the accompanying 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, 2016 and 2015, 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 auditors' 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, 2016 and 2015, 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 and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, 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*, 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 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 December 6, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Richmond, Virginia
December 6, 2016**

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Financial Position, With Consolidating Information
June 30, 2016

	Consolidating Information		Consolidated Total
	H.O.M.E.	Foundation	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 509,639	\$ 39,240	\$ 548,879
Investments	-	7,559,531	7,559,531
Accounts receivable, grants and contracts	690,800	-	690,800
Accounts receivable, other	700	-	700
Prepaid expenses	74,909	-	74,909
Other current assets	13,161	-	13,161
Total current assets	1,289,209	7,598,771	8,887,980
Property and equipment, net	25,137	-	25,137
Total assets	<u>\$ 1,314,346</u>	<u>\$ 7,598,771</u>	<u>\$ 8,913,117</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 22,619	\$ 9,489	\$ 32,108
Accrued payroll liabilities	211,311	-	211,311
Deferred rent, current portion	11,405	-	11,405
Other current liabilities	7,576	-	7,576
Total current liabilities	252,911	9,489	262,400
Long-term liabilities:			
Deferred rent, less current portion	7,317	-	7,317
Other liabilities	7,324	-	7,324
Total long-term liabilities	14,641	-	14,641
Total liabilities	267,552	9,489	277,041
Net assets:			
Unrestricted, undesignated	414,301	7,589,282	8,003,583
Unrestricted, board designated	153,251	-	153,251
Total unrestricted net assets	567,552	7,589,282	8,156,834
Temporarily restricted	479,242	-	479,242
Total net assets	1,046,794	7,589,282	8,636,076
Total liabilities and net assets	<u>\$ 1,314,346</u>	<u>\$ 7,598,771</u>	<u>\$ 8,913,117</u>

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Financial Position, With Consolidating Information
June 30, 2015

	Consolidating Information		Consolidated
	H.O.M.E.	Foundation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 381,146	\$ 139,037	\$ 520,183
Investments	-	7,748,487	7,748,487
Accounts receivable, grants and contracts	374,471	-	374,471
Accounts receivable, other	10,271	-	10,271
Investment income receivable	-	12,763	12,763
Prepaid expenses	69,046	-	69,046
Other current assets	13,666	-	13,666
	<hr/>	<hr/>	<hr/>
Total current assets	848,600	7,900,287	8,748,887
Property and equipment, net	10,672	-	10,672
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 859,272</u>	<u>\$ 7,900,287</u>	<u>\$ 8,759,559</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued expenses	\$ 13,983	\$ 9,721	\$ 23,704
Accrued payroll liabilities	184,654	-	184,654
Deferred rent, current portion	11,405	-	11,405
Other current liabilities	7,355	-	7,355
	<hr/>	<hr/>	<hr/>
Total current liabilities	217,397	9,721	227,118
Long-term liabilities			
Deferred rent, less current portion	18,722	-	18,722
Other liabilities	7,324	-	7,324
	<hr/>	<hr/>	<hr/>
Total long-term liabilities	26,046	-	26,046
Total liabilities	<hr/>	<hr/>	<hr/>
	243,443	9,721	253,164
Net assets:			
Unrestricted, undesignated	361,328	7,890,566	8,251,894
Unrestricted, board designated	88,251	-	88,251
Total unrestricted net assets	<hr/>	<hr/>	<hr/>
	449,579	7,890,566	8,340,145
Temporarily restricted	166,250	-	166,250
	<hr/>	<hr/>	<hr/>
Total net assets	615,829	7,890,566	8,506,395
Total liabilities and net assets	<u>\$ 859,272</u>	<u>\$ 7,900,287</u>	<u>\$ 8,759,559</u>

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Activities, With Consolidating Information
Year Ended June 30, 2016

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support:						
Grants and contracts	\$ -	\$ 1,706,125	\$ 1,706,125	\$ -	\$ -	\$ 1,706,125
Contributions	481,818	540,300	1,022,118	-	(421,866)	600,252
Net investment income	406	-	406	124,229	-	124,635
Miscellaneous	88,333	-	88,333	-	-	88,333
Loan repayments	135	-	135	-	-	135
Legal settlements	299,233	-	299,233	-	-	299,233
	869,925	2,246,425	3,116,350	124,229	(421,866)	2,818,713
Net assets released from restrictions	1,933,433	(1,933,433)	-	-	-	-
Total revenue and support	2,803,358	312,992	3,116,350	124,229	(421,866)	2,818,713
Expenses:						
Program services	2,439,904	-	2,439,904	421,866	(421,866)	2,439,904
Management and general	160,574	-	160,574	3,647	-	164,221
Fundraising	84,907	-	84,907	-	-	84,907
Total expenses	2,685,385	-	2,685,385	425,513	(421,866)	2,689,032
Change in net assets:						
Unrestricted	117,973	-	117,973	(301,284)	-	(183,311)
Temporarily restricted	-	312,992	312,992	-	-	312,992
Total change in net assets	117,973	312,992	430,965	(301,284)	-	129,681
Net assets, beginning of year	449,579	166,250	615,829	7,890,566	-	8,506,395
Net assets, end of year	\$ 567,552	\$ 479,242	\$ 1,046,794	\$ 7,589,282	\$ -	\$ 8,636,076

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statement of Activities, With Consolidating Information
Year Ended June 30, 2015

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support:						
Grants and contracts	\$ -	\$ 1,604,350	\$ 1,604,350	\$ -	\$ -	\$ 1,604,350
Contributions	746,383	38,377	784,760	-	(654,760)	130,000
Net investment income	552	-	552	216,443	-	216,995
Miscellaneous	49,686	-	49,686	-	-	49,686
Legal settlements	28,028	-	28,028	-	-	28,028
Gain on disposal of assets	500	-	500	-	-	500
	<u>825,149</u>	<u>1,642,727</u>	<u>2,467,876</u>	<u>216,443</u>	<u>(654,760)</u>	<u>2,029,559</u>
Net assets released from restrictions	1,642,727	(1,642,727)	-	-	-	-
	<u>2,467,876</u>	<u>-</u>	<u>2,467,876</u>	<u>216,443</u>	<u>(654,760)</u>	<u>2,029,559</u>
Total revenue and support						
Expenses:						
Program services	2,278,205	-	2,278,205	654,760	(654,760)	2,278,205
Management and general	135,558	-	135,558	4,188	-	139,746
Fundraising	95,750	-	95,750	-	-	95,750
	<u>2,509,513</u>	<u>-</u>	<u>2,509,513</u>	<u>658,948</u>	<u>(654,760)</u>	<u>2,513,701</u>
Total expenses						
Change in net assets:						
Unrestricted	(41,637)	-	(41,637)	(442,505)	-	(484,142)
Temporarily restricted	-	-	-	-	-	-
	<u>(41,637)</u>	<u>-</u>	<u>(41,637)</u>	<u>(442,505)</u>	<u>-</u>	<u>(484,142)</u>
Total change in net assets						
Net assets, beginning of year	491,216	166,250	657,466	8,333,071	-	8,990,537
	<u>491,216</u>	<u>166,250</u>	<u>657,466</u>	<u>8,333,071</u>	<u>-</u>	<u>8,990,537</u>
Net assets, end of year	\$ 449,579	\$ 166,250	\$ 615,829	\$ 7,890,566	\$ -	\$ 8,506,395
	<u>\$ 449,579</u>	<u>\$ 166,250</u>	<u>\$ 615,829</u>	<u>\$ 7,890,566</u>	<u>\$ -</u>	<u>\$ 8,506,395</u>

See accompanying notes.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets:	\$ 129,681	\$ (484,142)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	8,313	11,694
Amortization of deferred rent	(11,405)	(13,993)
Net realized and unrealized (gains) losses on investments	31,030	(51,408)
Gain on disposal of assets	-	(500)
Change in assets and liabilities:		
Accounts receivable, grants and contracts	(316,329)	75,028
Accounts receivable, other	9,571	3,772
Investment income receivable	12,763	(537)
Prepaid expenses	(5,863)	(16,564)
Other current assets	505	475
Accounts payable and accrued expenses	8,404	(4,399)
Accrued payroll liabilities	26,657	3,306
Other current liabilities	221	7,355
Other liabilities	-	7,324
Net cash used by operating activities	<u>(106,452)</u>	<u>(462,589)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,778)	(4,303)
Proceeds from sale of assets	-	500
Purchase of investments	(245,133)	(2,577,063)
Proceeds from sale of investments	<u>403,059</u>	<u>3,009,241</u>
Net cash provided by investing activities	<u>135,148</u>	<u>428,375</u>
Net increase (decrease) in cash and cash equivalents	28,696	(34,214)
Cash and cash equivalents, beginning of year	<u>520,183</u>	<u>554,397</u>
Cash and cash equivalents, end of year	<u>\$ 548,879</u>	<u>\$ 520,183</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, 2016 and 2015, board designated amounts of \$153,251 and \$88,251, respectively, were designated for HOME Consulting Services and 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, 2016 and 2015, the restricted use of these amounts is based on grant contracts and 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, 2016 and 2015.

Cash equivalents

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

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

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.

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, and accounts receivable. The Organization maintains its cash balances with high credit quality financial institutions. During 2016 and 2015, 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's ability to collect its receivables is dependent upon the financial condition of the debtors.

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.

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, 2016 and 2015.

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 they are received.

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. H.O.M.E and the Foundation have determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2016. Fiscal years ending on or after June 30, 2013 remain subject to examination by federal and state tax authorities.

Subsequent events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 6, 2016, the date the consolidated financial statements were available to be issued.

3. Investments

Investments held by the Organization, are summarized as follows:

	<u>June 30, 2016</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
Exchange traded funds	\$ 3,405,669	\$ 1,002,189	\$ 4,407,858
Mutual funds	2,941,656	40,226	2,981,882
Marketable debt securities	<u>143,906</u>	<u>25,885</u>	<u>169,791</u>
	<u>\$ 6,491,231</u>	<u>\$ 1,068,300</u>	<u>\$ 7,559,531</u>
	<u>June 30, 2015</u>		
	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Exchange traded funds	\$ 3,481,198	\$ 1,107,150	\$ 4,588,348
Mutual funds	2,995,660	(46,313)	2,949,347
Marketable debt securities	<u>191,347</u>	<u>19,445</u>	<u>210,792</u>
	<u>\$ 6,668,205</u>	<u>\$ 1,080,282</u>	<u>\$ 7,478,487</u>

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

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

	<u>2016</u>	<u>2015</u>
Interest income	\$ 7,330	\$ 9,312
Dividend income	178,955	183,273
Realized gains (losses)	(18,527)	171,679
Unrealized losses	(12,503)	(120,271)
Other investment income	7,428	13,246
Investment management expenses	<u>(38,048)</u>	<u>(40,244)</u>
Total investment return	<u>\$ 124,635</u>	<u>\$ 216,995</u>

4. 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.

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, equity & debt securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

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 2016 and 2015.

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

	Fair Value at June 30, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Corporate and government bonds	\$ 2,981,882	\$ -	\$ -	\$ 2,981,882
Exchange traded funds:				
Blended funds	2,300,457	-	-	2,300,457
Value funds	1,363,438	-	-	1,363,438
Growth funds	559,005	-	-	559,005
Emerging markets	184,958	-	-	184,958
Debt securities:				
Mortgage-backed securities	<u>169,791</u>	-	-	<u>169,791</u>
Total	<u>\$ 7,559,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,559,531</u>

	Fair Value at June 30, 2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Corporate and government bonds	\$ 2,949,347	\$ -	\$ -	\$ 2,949,347
Exchange traded funds:				
Blended funds	2,265,648	-	-	2,265,648
Value funds	1,429,450	-	-	1,429,450
Growth funds	551,486	-	-	551,486
Emerging markets	341,764	-	-	341,764
Debt securities:				
Mortgage-backed securities	<u>210,792</u>	-	-	<u>210,792</u>
Total	<u>\$ 7,748,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,748,487</u>

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

5. Grants and Their Accounting Periods

Certain grants awarded to the Organization during its fiscal years ended June 30, 2016 and 2015 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	December 15
City of Richmond: Community Development Block Grant for First-time Homebuyers	June 30
Housing Information and Counseling	June 30
HOME Keystone Program for First-time Homebuyers	June 30
Community Housing Empowerment Program: Neighborhoods in Bloom – Down Payment and Closing Cost Assistance	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
Commonwealth of Virginia: State HOME Funds	December 31
National Community Reinvestment Coalition: NeighborWorks America	June 30

During 2016 and 2015, approximately 47% and 61%, respectively, of support came from federal, state and local government sources. Any significant reduction in the level of this support would have a corresponding effect on the Organization's ability to maintain its current programs and services.

6. Property and Equipment

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 147,843	\$ 162,654
Leasehold improvements	<u>10,324</u>	<u>10,324</u>
	158,167	172,978
Accumulated depreciation	<u>(133,030)</u>	<u>(162,306)</u>
Property and equipment, net	<u>\$ 25,137</u>	<u>\$ 10,672</u>

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

7. Commitments

The Organization has three operating leases for office space which expire on April 30, 2018. 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:

2017	\$	222,783
2018		191,600
2019		9,108
2020		<u>759</u>
	\$	<u>424,250</u>

Rent expense for the 2016 and 2015 was \$215,463 and \$200,158, respectively. In connection with the operating leases for office space, the Organization received a 6-month rent abatement period during 2011 and 2012 where no rents were paid and a 5-month rent abatement during 2015. 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, 2016 and 2015 was \$18,722 and \$30,127, respectively. Accumulated amortization was \$67,152 and \$55,747.

The Organization entered into an agreement to sublease a portion of its office space during 2015. The agreement expires on April 30, 2018. Minimum rental receipts under these leases are as follows for future years ending June 30:

2017	\$	91,757
2018		<u>64,749</u>
	\$	<u>156,506</u>

8. 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 2016 and 2015 of \$56,229 and \$29,166, respectively.

Supplementary Information

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2016

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Housing Counseling & Education	Fair Housing	Housing Policy	HOME Consulting Service				
Salaries/personnel	\$ 516,214	\$ 292,672	\$ 10,576	\$ 91,952	\$ 911,414	\$ 297,967	\$ 41,464	\$ 1,250,845
Direct client assistance	613,325	-	-	-	613,325	-	-	613,325
Fringe benefits	128,158	70,681	2,612	23,769	225,220	73,171	10,361	308,752
Occupancy	108,906	66,848	2,548	18,971	197,273	9,785	8,405	215,463
Professional and contract services	344	54,543	-	2,211	57,098	81,310	6,164	144,572
Miscellaneous	5,675	8,451	-	4,619	18,745	15,687	1,181	35,613
Training and professional activities	10,659	12,252	-	1,053	23,964	1,325	145	25,434
Supplies and materials	6,604	3,128	-	866	10,598	8,139	133	18,870
Telephone	1,275	900	-	-	2,175	14,986	-	17,161
Printing	11,097	1,768	248	1,369	14,482	(51)	191	14,622
Liability insurance	-	-	-	-	-	12,971	-	12,971
Equipment rental and acquisitions	-	2,176	-	-	2,176	8,636	-	10,812
Depreciation	-	-	-	-	-	8,313	-	8,313
Travel	1,717	4,043	-	86	5,846	443	63	6,352
Foundation expenses	-	-	-	-	-	3,647	-	3,647
Membership dues	50	430	-	-	480	1,475	325	2,280
Indirect costs	203,162	113,110	4,212	36,624	357,108	(373,583)	16,475	-
	<u>\$ 1,607,186</u>	<u>\$ 631,002</u>	<u>\$ 20,196</u>	<u>\$ 181,520</u>	<u>\$ 2,439,904</u>	<u>\$ 164,221</u>	<u>\$ 84,907</u>	<u>\$ 2,689,032</u>

See independent auditors' report.

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2015

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Housing Counseling & Education	Fair Housing	Housing Policy	HOME Consulting Service				
Salaries/personnel	\$ 469,145	\$ 285,741	\$ 8,233	\$ 91,425	\$ 854,544	\$ 305,034	\$ 43,472	\$ 1,203,050
Direct client assistance	557,640	-	-	1,731	559,371	-	-	559,371
Fringe benefits	109,945	64,407	1,962	20,844	197,158	69,684	9,633	276,475
Occupancy	101,969	59,438	1,649	18,719	181,775	10,167	8,216	200,158
Professional and contract services	663	24,053	-	7,223	31,939	56,053	10,635	98,627
Miscellaneous	7,643	7,597	-	748	15,988	19,769	4,059	39,816
Training and professional activities	14,796	11,072	-	3,847	29,715	2,373	140	32,228
Telephone	900	900	-	-	1,800	22,334	-	24,134
Printing	10,048	2,892	1,055	569	14,564	3,725	409	18,698
Liability insurance	-	-	-	-	-	12,925	-	12,925
Supplies and materials	4,678	2,836	284	291	8,089	3,860	693	12,642
Depreciation	-	-	-	-	-	11,694	-	11,694
Equipment rental and acquisitions	-	3,124	-	-	3,124	7,569	-	10,693
Travel	1,493	3,389	15	109	5,006	370	182	5,558
Foundation expenses	-	-	-	-	-	4,188	-	4,188
Membership dues	50	1,105	375	450	1,980	1,139	325	3,444
Indirect costs	207,510	122,522	3,379	39,741	373,152	(391,138)	17,986	-
	<u>\$ 1,486,480</u>	<u>\$ 589,076</u>	<u>\$ 16,952</u>	<u>\$ 185,697</u>	<u>\$ 2,278,205</u>	<u>\$ 139,746</u>	<u>\$ 95,750</u>	<u>\$ 2,513,701</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, 2016 and 2015, 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 December 6, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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
December 6, 2016

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 Each 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 each of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's major federal programs for the year ended June 30, 2016. Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's major federal programs are 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 each of Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each 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 Each 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 each of its major federal programs for the year ended June 30, 2016.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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
December 6, 2016**

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, 2016

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2016

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 14-15, Subcontract with the Virginia Housing Development Authority	14.169	None	-	\$ 22,302
Comprehensive Housing Counseling 15-16, Subcontract with the Virginia Housing Development Authority	14.169	None	-	23,049
Total Housing Counseling Program				<u>45,351</u>
Fair Housing Initiatives Program				
Private Enforcement Initiative 14-15	14.408	None	-	154,001
Private Enforcement Initiative 15-16	14.408	None	-	184,272
Total Fair Housing Initiatives Program				<u>338,273</u>
Community Development Block Grant (CDBG) Program				
County of Chesterfield				
CDBG Foreclosure Prevention	14.218	None	-	23,000
County of Henrico				
Downpayment Assistance Program, (Counseling and Loan Processing Fees) 14-15	14.218	None	-	5,500
Downpayment Assistance Program, (Counseling and Loan Processing Fees) 15-16	14.218	None	-	19,250
City of Richmond				
CDBG Keystone Program for First-time Homebuyers, Richmond Citywide	14.218	None	-	201,334
Fair Housing	14.218	None	-	20,000
Community Empowerment NiB-Downpayment Assistance Program	14.218	None	-	73,353
Housing Information & Counseling Program	14.218	None	-	175,000
Total CDBG Program				<u>517,437</u>

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2016

(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	-	144,609
County of Chesterfield				
HOME Keystone Program for First-time Homebuyers	14.239	None	-	74,211
Commonwealth of Virginia				
Downpayment Assistance Program for State HOME Funds 14-15	14.239	None	-	45,500
Downpayment Assistance Program for State HOME Funds 2016	14.239	None	-	59,000
County of Henrico				
Downpayment Assistance Program for First-time Homebuyers 14-15	14.239	None	-	22,231
Downpayment Assistance Program for First-time Homebuyers 15-16	14.239	None	-	68,673
Jefferson Parish, LA				
Analysis of Impediments	14.239	None	-	10,018
Total HOME Program				424,242
NeighborWorks America				
National Community Reinvestment Coalition NeighborWorks America	NRC:21.000PL110-289.95X1350	None	-	5,100
				\$ 1,330,403

The accompanying notes are an integral part of this schedule.

Housing Opportunities Made Equal of Virginia, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

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.

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Findings and Questioned Costs
June 30, 2016

1. Summary of Auditors' Results

- a. An unmodified opinion was issued on the financial statements.
- b. There were no significant deficiencies in internal control disclosed by the audit.
- c. The audit did not disclose any noncompliance that would be material to the financial statements.
- d. There were no significant deficiencies in internal control over major programs to disclose.
- e. An unmodified opinion was issued on compliance for major programs.
- f. The audit did not disclose any audit findings required to be reported.
- g. 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.