HomeAgain and Subsidiary

Consolidated Financial Statements

June 30, 2016 and 2015

Keiter
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HOMEAGAIN AND SUBSIDIARY

Table of Contents

Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
HomeAgain and Subsidiary
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of HomeAgain and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HomeAgain and Subsidiary as of June 30, 2016, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is 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. 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 20, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The June 30, 2015 consolidated financial statements were audited by other accountants, and their report thereon, dated December 11, 2015, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

As discussed above, the consolidated financial statements of HomeAgain and Subsidiary as of June 30, 2015, and for the year then ended were audited by other auditors. As described in Note 12, the 2015 consolidated net assets classifications have been restated. We audited the adjustments described in Note 12 that were applied to restate the 2015 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2015 consolidated financial statements of HomeAagain and Subsidiary other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 consolidated financial statements taken as a whole.

Keiter

December 20, 2016
Glen Allen, Virginia

HOMEAGAIN AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2016 with Summarized Totals as of June 30, 2015

Assets	2016	2015 (as restated)
Current assets:		
Cash and cash equivalents	$ 78,666	$ 224,122
Certificates of deposit	108,144	107,337
Grants receivable	272,800	167,743
Promises to give	23,000	16,400
Prepaid expenses	21,875	18,404
Total current assets	504,485	534,006
Property and equipment, net	557,386	612,100
Restricted assets:		
Cash - restricted (endowment)	9,000	-
Investments - (endowment)	160,140	155,265
Total restricted assets	169,140	155,265
	$ 1,231,011	$ 1,301,371
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 39,937	$ 78,799
Line of credit	16,236	-
Mortgage payable - current	10,863	10,438
Total current liabilities	67,036	89,237
Long term liabilities:		
Mortgage payable - long term	22,074	32,937
Total liabilities	89,110	122,174
Net assets:		
Unrestricted net assets	939,207	1,001,565
Temporarily restricted net assets	33,554	22,367
Permanently restricted net assets	169,140	155,265
Total net assets	1,141,901	1,179,197
	$ 1,231,011	$ 1,301,371

See accompanying notes to consolidated financial statements.

HOMEAGAIN AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2016 with Summarized Totals for Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015 (as restated)
Revenues and other support:					
Government grants	$ 1,646,513	$ -	$ -	$ 1,646,513	$ 1,361,269
Contributions	261,048	26,211	9,000	296,259	440,790
United Way	58,086	-	-	58,086	50,778
Program fees and other revenue	22,077	-	-	22,077	32,564
Fundraising	76,693	-	-	76,693	11,965
In-kind	13,810	-	-	13,810	-
Unrealized gain (loss) on investments	-	-	1,764	1,764	(5,983)
Interest and dividends	-	-	3,111	3,111	3,445
Total revenues and other support	2,078,227	26,211	13,875	2,118,313	1,894,828
Net assets released from restrictions	15,024	(15,024)	-	-	-
Expenses:					
Program services	1,833,131	-	-	1,833,131	1,746,545
Management and general	279,093	-	-	279,093	205,814
Fund-raising	43,385	-	-	43,385	1,539
Total expenses	2,155,609	-	-	2,155,609	1,953,898
Change in net assets	(62,358)	11,187	13,875	(37,296)	(59,070)
Net assets, beginning of year (as restated)	1,001,565	22,367	155,265	1,179,197	1,238,267
Net assets, end of year	$ 939,207	$ 33,554	$ 169,140	$ 1,141,901	$ 1,179,197

See accompanying notes to consolidated financial statements.

HOMEAGAIN AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016 with Summarized Totals for Year Ended June 30, 2015

	Family Shelter Services	Men's Shelter Services	Veteran's Transitional	Permanent Supportive Housing	Program Services Total	Management and General	Fund-raising	2016 Total Expenses	2015 Total Expenses (as restated)
Wages & benefits	$ 280,931	$ 178,733	$ 248,039	$ 182,685	$ 890,388	$ 101,858	$ 1,012	$ 993,258	$ 1,076,332
Client assistance	349,399	125,976	89,149	167,760	732,284	-	-	732,284	530,075
Office expenses	1,672	1,369	3,157	-	6,198	16,655	-	22,853	10,869
Occupancy	18,965	25,869	6,980	1,614	53,428	32,632	-	86,060	73,396
Training	500	40	-	-	540	765	-	1,305	2,820
Travel and mileage	203	642	1,758	173	2,776	806	-	3,582	27,261
Repairs and maintenance	17,227	16,206	3,195	703	37,331	3,219	-	40,550	36,655
Professional fees	7,486	3,743	18,743	-	29,972	91,747	-	121,719	49,175
Insurance	2,686	4,325	1,095	1,095	9,201	18,401	-	27,602	31,247
Special events	227	-	142	-	369	-	37,470	37,839	23,800
Miscellaneous	342	31	3,490	66	3,929	10,981	2,255	17,165	36,651
In-kind expenses	10,965	1,213	-	-	12,178	-	1,632	13,810	-
Interest	227	1,307	106	-	1,640	1,228	-	2,868	1,990
Depreciation	27,747	10,266	7,168	7,715	52,897	801	1,016	54,714	53,627
Total expenses	$ 718,577	$ 369,720	$ 383,022	$ 361,811	$ 1,833,131	$ 279,093	$ 43,385	$ 2,155,609	$ 1,953,898

See accompanying notes to consolidated financial statements.

HOMEAGAIN AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2016 with Summarized Totals for Year Ended June 30, 2015

	2016	2015 (as restated)
Cash flows from operating activities:		
Change in net assets	$ (37,296)	$ (59,070)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	54,714	53,627
Unrealized and realized (gain) loss on investments, net	(1,764)	5,983
Contributions restricted for long-term purposes	(9,000)	-
Changes in operating assets and liabilities:		
Grants receivable	(105,057)	(46,504)
Promises to give	(6,600)	(12,230)
Prepaid expenses	(3,471)	(3,386)
Accounts payable and accrued liabilities	(38,862)	34,076
Deferred revenue	-	(10,601)
Net cash used in operating activities	(147,336)	(38,105)
Cash flows from investing activities:		
Purchases of investments	(3,111)	(3,445)
Certificates of deposit	(807)	(735)
Net cash used in investing activities	(3,918)	(4,180)
Cash flows used in financing activities:		
Net proceeds from line of credit	16,236	-
Principal payments on mortgage note payable	(10,438)	(10,028)
Net cash provided by (used in) financing activities	5,798	(10,028)
Net change in cash and cash equivalents	(145,456)	(52,313)
Cash and cash equivalents, beginning of year	224,122	276,435
Cash and cash equivalents, end of year	$ 78,666	$ 224,122
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,868	$ 1,990

See accompanying notes to consolidated financial statements.

1. Organization:

HomeAgain and Subsidiary (the “Organization”) provides shelter, supportive services, and financial assistance for homeless individuals and families in the Richmond, Virginia vicinity. Emergency Shelters provide shelter for those experiencing a housing crisis. Permanent Supportive Housing provides permanent housing for those whose household has a member with a disability. Rapid Re-housing provides for financial assistance to quickly house individuals and families and immediately end homelessness. Services include on-going housing, substance abuse and employment counseling, and financial assistance to ensure long term success.

2. Summary of Significant Accounting Policies:

Principles of Consolidation: The accompanying consolidated financial statements include the accounts and activity of HomeAgain and its wholly owned subsidiary, ESI Enterprises, Inc (“ESI”). ESI was established in 2004 to conduct and support activities that carry out the charitable purposes of HomeAgain, such as acquiring, holding, and operating facilities and other assets used by HomeAgain and conducting capital and endowment campaigns. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Basis of Presentation: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

2. Summary of Significant Accounting Policies, Continued:

Certificates of Deposit: The certificates of deposit, which may mature in up to one year, are redeemable on demand and are subject to varying early withdrawal penalties based on simple interest calculations.

Grants Receivable and Promises to Give: The Organization records revenue from all significant grants and contracts as costs are incurred to give recognition to the performance requirements of the various agreements. Grants receivable consist of amounts which have been incurred but not reimbursed by the respective grantor.

Promises to give are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. If the unconditional promise to give is to occur over several fiscal periods beyond one year, the assets will be discounted and measured at their present value. At June 30, 2016, all promises to give were due within one year.

Grants receivable and promises to give are reported net of an allowance for uncollectible grants based on management's estimate of the amount that will actually be collected. At June 30, 2016, management determined the grants receivable and promises to give were fully collectible and that no allowance was necessary.

Property and Equipment: Property and equipment are stated at cost. All donated property and equipment are stated at fair market value at the date of gift. Depreciation is charged to expense over the estimated useful lives of the assets ranging from five to 30 years using the straight-line method. Expenditures for maintenance and repairs are expensed currently, while expenditures for major improvements are capitalized.

Endowed Investments: The Organization invests in a professionally managed portfolio that contains common stock, a corporate bond and a money market fund (see Note 10). Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the accompanying Consolidated Statement of Activities.

Net Assets: The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily Restricted Net Assets: Net assets that are stipulated by donors for specific purposes or which have temporary time restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies, Continued:

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes (see Note 9).

Recognition of Contributions: Contributions are recorded at their estimated fair value and recognized in the period they are received. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Donated Materials and Services: The value of donated materials and the value of donated services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically have been purchased if not donated, are recognized in the consolidated financial statements. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments, for which no value is recognized in the audited consolidated financial statements.

Functional Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk: Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents, certificates of deposit, unsecured receivables, and investments. The Organization maintains its cash and cash equivalents and certificates of depoisit balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000.

Grants and contributions receivable are primarily from local businesses, foundations and government agencies. The Organization believes its credit risk related to these grants and contributions receivable is limited due to the nature of its donors. The ability to collect receivables is affected by the general economic conditions.

2. Summary of Significant Accounting Policies, Continued:

Concentration of Credit Risk, Continued: 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 affect the investment balances and the amount reported in the consolidated financial statements.

Income Taxes: The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Income Tax Uncertainties: The Organization follows the FASB guidance related to accounting for uncertainty in income taxes, which prescribes a minimum recognition threshold that a tax position is required to meet before being recognized in the Organization's consolidated financial statements.

In accordance with the guidance, the Organization discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Organization's position and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Organization's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Organization has completed its assessment and determined that there were no tax positions which would require recognition under the guidance. The Organization is currently not under audit by any tax authority.

Subsequent Events: Management has evaluated subsequent events through December 20, 2016, the date the consolidated financial statements were available to be issued, and has determined that there are no other subsequent events to be reported in the accompanying consolidated financial statements.

Reclassification: Certain prior year balances have been reclassified to conform with the current year presentation.

3. Promises to Give:

As of June 30, 2016, contributors to the Organization have made written and oral promises to give amounting to $23,000. The Organization projects that contributors will remit these contributions in less than one year.

4. Property and Equipment:

Property and equipment consisted of the following as of June 30, 2016:

Land	$ 65,000
Buildings	1,921,755
Automotive	86,605
Furniture and fixtures	78,117
	2,151,477
Less: accumulated depreciation	(1,594,091)
Property and equipment, net	$ 557,386

Depreciation expense was $54,714 for 2016.

5. Line of credit:

The Organization has available a line of credit with maximum borrowings of $100,000 with a commercial bank. The line of credit bears interest at the prime rate (3.5% at June 30, 2016) and interest is payable monthly. As of June 30, 2016, the line is secured by a certificate of deposit maintained by the bank and is due on demand. The outstanding balance as of June 30, 2016 was $16,236.

6. Long-term Debt:

Long-term debt consists of a mortgage note with the Virginia Housing Development Authority. The note is payable in monthly installments of $999, including interest at 4%. The note matures in 2019 and is collateralized by the real estate for the men's shelter. The outstanding balance as of June 30, 2016 was $32,937.

Future principal maturities of the mortgage note are as follows:

Year ending:	Amount
2017	$ 10,863
2018	11,306
2019	10,768
	$ 32,937

7. Retirement Plan:

The Organization has a tax deferred group annuity contract with Mutual of America Life Insurance Company. Substantially all employees of the Organization are eligible to become participants under the contract. HomeAgain made no contributions on behalf of eligible participants during 2016.

8. Commitments and Contingencies:

The Organization has an operating lease for office space through June 30, 2017. Unless written notice to terminate is provided at least ninety days prior to expiration of the first term, the lease shall automatically renew for an additional one year. The lease calls for monthly payments of $1,802. Rent expense for the office was $21,624 for 2016. The future minimum rental payments as of June 30, 2016 are as follows: $21,624 for 2017.

The Organization leases numerous apartments used as program housing space under annual operating leases. Rent expense under these leases was $185,248 for 2016.

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for noncompliance with grantor restrictions. Such audits could also result in the grantor prohibiting future funding of such grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, for any impact from the revocation of future grant funds cannot be determined at this date. As of June 30, 2016, the Organization is not aware of any noncompliance issues that could result in a liability.

9. Endowment Fund:

The Edward White King fund was established and controlled by Ann and Don King in honor of their son Edward White King to benefit children at the Espigh Family Shelter and Family INRICH Transition in Place Program. All contributions made to the Fund shall be placed in a separate and discrete investment account. Any investment income generated by the contributions placed in the account may be approved and used exclusively for the benefit of children sheltered by the Emergency Shelter, Inc. The principal amount of the Fund shall not be spent. In the event that the operation of HomeAgain shall cease, the principal amount of the Fund shall be transferred to a charitable organization serving homeless children. HomeAgain will consult with the King Family concerning uses of the investment income and any transfer of the principal of the fund.

9. Endowment Fund, Continued:

Interpretation of Relevant Law: The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment funds that are not classified as permanently restricted net assets, are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficits: From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or the UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization did not have any deficiencies in its endowment fund as of June 30, 2016.

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to the organizations endowed by donor- restricted funds as well as programs supported by the endowment funds. Endowment assets include assets of donor-restricted funds that the Organization must hold in perpetuity.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Organization has a policy of meeting with King family representatives after each fiscal year to review the investment account activity and they may approve an amount of investment earnings during the fiscal year to be made available for operations of the Organization.

Endowment net asset composition by type of fund was as follows at June 30, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 169,140	$ 169,140

9. Endowment Fund, Continued:

Changes in endowment net assets were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2015	$ -	$ 155,265	$ 155,265
Investment return:			
Interest and dividends	-	3,111	3,111
Unrealized and realized gain on investments, net	-	1,764	1,764
Total investment return	-	4,875	4,875
Contributions	-	9,000	9,000
Endowment net assets, June 30, 2016	$ -	$ 169,140	$ 169,140

10. Fair Value Measurements:

The Financial Accounting Standards Board has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. There were no assets or liabilities classified as Level 3 at June 30, 2016.

10. Fair Value Measurements, Continued:

The following is a description of the valuation methodologies used for assets carried at fair value:

Mutual fund: Valued at the daily closing price as reported by the fund. The mutual fund held by the Organization is an open-ended mutual fund that is registered with the Securities and Exchange Commission. The fund is required to publish their daily net asset value and to transact at that price. The mutual fund held at year end is deemed to be actively traded.

Corporate bond: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings.

Money market funds: Valued at the realizable cash value equivalent to the specific sum of money held by the Organization at year end.

Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs. Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	Fair Value Using		Assets
	Level 1	Level 2	at Fair Value
Assets:			
Equities:			
Mutual fund	$ 24,570	$ -	$ 24,570
Corporate bond	-	27,290	27,290
Money market funds	108,280	-	108,280
Total assets	$ 132,850	$ 27,290	$ 160,140

11. Temporarily Restricted Net Assets:

Temporarily restricted net assets as June 30, 2016 consisted of $10,554 for the benefit of children sheltered by the Organization and $23,000 of promises to give.

During 2016, net assets released from restriction consisted of $15,024 used for expenses relating to the benefit of children sheltered by the Organization.

12. Restatement of Net Assets:

During 2016, the Organization identified certain activity that had not been properly recorded in the 2015 consolidated financial statements. The restatement resulted in increasing unrestricted net assets by $1,859, increasing temporarily restricted net assets by $22,367, and decreasing permanently restricted net assets by $31,502. In total, restated net assets decreased by $7,276.

SUPPLEMENTAL INFORMATION

HOMEAGAIN AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing Program	14.235		$ 640,682
Pass-Through from City of Richmond:			
Emergency Solutions Grant Program	14.231	N/A	263,798
Total U.S. Department of Housing and Urban Development			904,480
U.S. Department of Veterans Affairs			
VA Homeless Providers Grant and Per Diem Program	64.024		379,650
U.S. Department of Agriculture			
Child and Adult Care Food Program	10.558		14,458
Total			$ 1,298,588

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of HomeAgain and Subsidiary and is presented on the basis of accounting as described in Note 2 of the basic consolidated financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*. 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.

Note B – 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.

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

To the Board of Directors
HomeAgain and Subsidiary
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of HomeAgain and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider a significant deficiency.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 consolidated 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*.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keiter

December 20, 2016
Glen Allen, Virginia

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

To the Board of Directors
HomeAgain and Subsidiary
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited HomeAgain and Subsidiary's (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to each major federal program.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

Purpose of this Report

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.

Keiter

December 20, 2016
Glen Allen, Virginia

HOMEAGAIN AND SUBSIDARY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

A. SUMMARY OF AUDIT RESULTS:

(1) The accountants' report expresses an unmodified opinion on the consolidated financial statements.

(2) No material weaknesses in internal control were disclosed by the audit. There was one significant deficiency relating to presentation of the consolidated financial statements disclosed during the audit.

(3) No noncompliance which is material to the consolidated financial statements was disclosed by the audit.

(4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were disclosed by the audit.

(5) Unmodified opinion on compliance for major programs.

(6) No findings were disclosed by the audit as required to be reported in accordance with 2 CFR section 200.516(a).

(7) Major Programs:

	Federal CFDA Number
Supportive Housing Program	14.235

(8) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

(9) The auditee did not qualify as a low-risk auditee.

HOMEAGAIN AND SUBSIDARY

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2016

B. FINDINGS RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

Significant Deficiency

2016-001 – Net Asset Classifications

Condition: The endowment fund had not been properly reported in the financial statements between permanently restricted and temporarily restricted net assets as required by accounting principles generally accepted in the United States ("GAAP").

Criteria: In accordance the Financial Accounting Standards Board guidance, gains and losses on donor-restricted endowment funds should be reported as unrestricted, temporarily restricted, or permanently restricted dependent upon any explicit donor stipulations or by a law that extends the donor's asset restrictions to gains and losses.

Cause: The Organization's current policies and procedures did not take into account proper reporting of the endowment funds between permanently restricted and temporarily restricted net assets as required by GAAP.

Effect: The net asset classifications in the 2015 consolidated financial statements were restated in the 2016 consolidated financial statements. The Organization consulted with the original donor to establish the principal balance of the endowment fund. Overall, there were no issues with the use of the endowment funds or tracking of the overall endowment fund.

Recommendation: We recommend the Organization establish a policy where all endowment activity will be reported in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Actions:

The auditors compared the endowment fund balances in the temporarily and permanently restricted account as well as in total. This examination covered those balances for the fiscal years ending 6/30/16 and 6/30/15.

No endowment balances or details were examined prior to those dates listed.

The endowment refers to Edward White King funds initially established in November, 1991. Since that time the King Family has been intimately involved in all transactions and activity related to these funds. King Family representatives have received all bank/endowment reports and statements. Organization staff and board have stringently adhered to all rules and guidelines set by King Family representatives.

HOMEAGAIN AND SUBSIDARY

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2016

Views of Responsible Officials and Planned Corrective Actions, Continued:

The condition as stated by this report is incorrect and unsubstantiated resulting in misleading and damaging information being reported. Other than for the fiscal year that ended June 30, 2015, the auditor has no basis for claiming “the endowment fund had not been properly tracked”. There is no information that supports this claim other than for the 6/30/15 period. There is no basis for questioning the previous 25 years of tracking and reporting.

The error in the 6/30/15 report occurred when dollars were not placed in the correct accounts indicating a level of restriction: either temporarily or permanently restricted. This has since been corrected.

There have always been policies and procedures in place strictly followed by the Organization regarding the tracking and use of Edward White King donations and endowment balances.

The auditors initially asked to examine all 25 years of endowment and bank statements in order to determine the relative restrictions on the 6/30/16 balances. Given the accusatory nature of the request, the following statements were given to the auditors by King Family representatives:

“Process

Contributions given during the fiscal year specifically for EWK will be deposited to the Suntrust Checking Account.

After the end of the June 30 fiscal year and prior to the August 31 following fiscal year end, King Family representatives will meet with HomeAgain (AKA Emergency Shelter) staff to review activities and expenses related to EWK that occurred during the fiscal year just ended.

Upon approval of the activities and expenses, a King Family representative may authorize an amount from the Suntrust Checking Account to be transferred to the operating bank account of HomeAgain as reimbursement for those expenses and activities

Prior to August 31 following the end of the June 30 fiscal year, King Family representatives will also review the BB&T Capital Markets Account for any interest and dividends earned on this account during the fiscal year.

HOMEAGAIN AND SUBSIDARY

Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2016

Views of Responsible Officials and Planned Corrective Actions, Continued:

Depending on the status and balance of the capital markets account, the King Family representative may approve an amount up to the total interest and dividends earned during the fiscal year to be made available for HomeAgain operations. HomeAgain would access these funds by a transfer of the approved amount from the EWK SunTrust checking account to the HomeAgain operating bank account.

Restrictions

Unless specifically identified as reimbursement for reviewed and approved expenses or interest and dividends from the capital market account, all contributions received during the just ended fiscal year and any other balances in the EWK Suntrust checking account and EWK BB&T capital markets account are permanently restricted.

As of June 30, 2016

Balances:

Suntrust Checking Account - $19,554
Capital Markets Account – $160,140.47

All of the capital markets account funds are permanently restricted.

$9,000 of the SunTrust checking account is permanently restricted funds.

$10,554 of the SunTrust checking account is temporarily restricted pending King Family representative final review of the fiscal year activities at HomeAgain and analysis of the interest and dividends earned within the capital markets account."

Other than the aforementioned error in the 6/30/15 audit report, HomeAgain always had a policy in place whereby endowment activity was tracked in accordance with GAAP. These policies were followed strictly each year, however, the procedures were mostly unwritten until now. HomeAgain sees no further action required by staff or board.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

HOMEAGAIN AND SUBSIDARY

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Not Applicable