

**HOUSING OPPORTUNITIES MADE EQUAL
OF VIRGINIA, INC.**

Consolidated Financial Statements

June 30, 2009

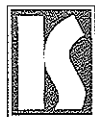


**KEITER, STEPHENS,
HURST, GARY & SHREAVES**
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Housing Opportunities Made Equal of Virginia, Inc.
Richmond, Virginia:

We have audited the accompanying consolidated statement of financial position of Housing Opportunities Made Equal of Virginia, Inc. and related organization (collectively, the "Organization") as of June 30, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 consolidated financial statements and in our report dated September 22, 2008, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 related organization as of June 30, 2009, 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.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

November 3, 2009

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Consolidated Statement of Financial Position
June 30, 2009 with Comparative 2008 Totals

<u>Assets</u>	Unrestricted Funds	Temporarily Restricted Funds	2009 Totals	Summary 2008 Totals
Current assets:				
Cash and cash equivalents	\$ 1,580,551	\$ 95,242	\$ 1,675,793	\$ 1,905,466
Due (to) from other funds	108,881	(108,881)	-	-
Investments	8,610,806	-	8,610,806	10,820,982
Accounts receivable - grants and contracts	-	222,516	222,516	306,335
Pledges receivable	33,896	-	33,896	29,860
Accounts receivable - other	39,751	-	39,751	42,912
Prepaid expenses	120,582	-	120,582	152,971
	<u>10,494,467</u>	<u>208,877</u>	<u>10,703,344</u>	<u>13,258,526</u>
Property and equipment:				
Furniture and equipment	284,599	-	284,599	254,788
Leasehold improvements	46,145	-	46,145	46,145
	<u>330,744</u>	<u>-</u>	<u>330,744</u>	<u>300,933</u>
Less accumulated depreciation	236,663	-	236,663	195,308
	<u>94,081</u>	<u>-</u>	<u>94,081</u>	<u>105,625</u>
Pledges receivable, net - long term	43,489	-	43,489	72,931
	<u>\$ 10,632,037</u>	<u>\$ 208,877</u>	<u>\$ 10,840,914</u>	<u>\$ 13,437,082</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 46,072	\$ -	\$ 46,072	\$ 82,487
Accrued salaries	193,027	-	193,027	144,276
	<u>239,099</u>	<u>-</u>	<u>239,099</u>	<u>226,763</u>
Net assets	<u>10,392,938</u>	<u>208,877</u>	<u>10,601,815</u>	<u>13,210,319</u>
	<u>\$ 10,632,037</u>	<u>\$ 208,877</u>	<u>\$ 10,840,914</u>	<u>\$ 13,437,082</u>

See accompanying notes to consolidated financial statements.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Consolidated Statement of Activities
Year Ended June 30, 2009 with Comparative 2008 Consolidated Totals

	Unrestricted Funds	Temporarily Restricted Funds	2009 Totals	Summary 2008 Totals
Revenues and other support:				
Contributions	\$ 35,616	\$ 27,500	\$ 63,116	\$ 197,212
Investment (loss) income, net	(665,693)	-	(665,693)	(572,032)
Grants and contracts	-	1,889,493	1,889,493	1,741,147
Fees and services	6,460	-	6,460	1,880
Loan repayments	2,524	-	2,524	17,848
Miscellaneous	4,009	-	4,009	11,238
Legal settlements	31,000	-	31,000	-
Net assets released from restrictions	<u>2,029,936</u>	<u>(2,029,936)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,443,852</u>	<u>(112,943)</u>	<u>1,330,909</u>	<u>1,397,293</u>
Expenses:				
Program services	3,460,438	-	3,460,438	3,170,100
General and administrative	221,688	-	221,688	176,340
Fundraising	<u>257,287</u>	<u>-</u>	<u>257,287</u>	<u>268,570</u>
Total expenses	<u>3,939,413</u>	<u>-</u>	<u>3,939,413</u>	<u>3,615,010</u>
Change in net assets	(2,495,561)	(112,943)	(2,608,504)	(2,217,717)
Net assets, beginning of year	<u>12,888,499</u>	<u>321,820</u>	<u>13,210,319</u>	<u>15,428,036</u>
Net assets, end of year	<u>\$ 10,392,938</u>	<u>\$ 208,877</u>	<u>\$ 10,601,815</u>	<u>\$ 13,210,319</u>

See accompanying notes to consolidated financial statements.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2009

	Program services						Totals
	Housing Education	Housing Advocacy	Housing Policy and Research	Total Program Services	General and Administrative	Fundraising	
Personnel	\$ 511,833	\$ 432,337	\$ 279,908	\$ 1,224,078	\$ 427,605	\$ 112,868	\$ 1,764,551
Fringe benefits	130,180	115,433	77,468	323,081	114,348	31,465	468,894
Training and professional activities	11,106	9,734	4,850	25,690	3,240	-	28,930
Supplies and materials	11,010	8,363	10,700	30,073	25,579	11,289	66,941
Equipment rental and acquisitions	371	4,911	111	5,393	20,228	-	25,621
Direct client assistance	949,608	-	-	949,608	-	-	949,608
Occupancy	80,826	71,036	47,418	199,280	54,258	19,341	272,879
Travel	573	17,300	1,631	19,504	675	195	20,374
Telephone	745	23,197	2,255	26,197	26,115	1,817	54,129
Professional and contract services	21,451	25,278	27,866	74,595	78,895	5,676	159,166
Miscellaneous	7,181	7,439	7,389	22,009	11,540	13,567	47,116
Membership dues	919	747	2,573	4,239	644	735	5,618
Liability insurance	-	336	-	336	8,867	-	9,203
Depreciation	-	-	-	-	41,355	-	41,355
Printing	-	-	1,621	1,621	-	-	1,621
Indirect costs	258,471	151,269	144,994	554,734	(615,068)	60,334	-
Foundation expenses	-	-	-	-	23,407	-	23,407
	<u>\$ 1,984,274</u>	<u>\$ 867,380</u>	<u>\$ 608,784</u>	<u>\$ 3,460,438</u>	<u>\$ 221,688</u>	<u>\$ 257,287</u>	<u>\$ 3,939,413</u>

See accompanying notes to consolidated financial statements.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Consolidated Statement of Cash Flows
Year Ended June 30, 2009 with Comparative 2008 Totals

	<u>2009</u>	<u>Summary 2008 Totals</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,608,504)	\$ (2,217,717)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	41,355	45,901
Realized net gain on sale of investments	772,547	186,228
Unrealized net loss in market value of investments	221,541	838,539
Changes in assets and liabilities:		
Prepaid expenses	32,389	(50,770)
Accounts receivable - grants and contracts	83,819	5,862
Pledges receivable	25,406	(33,048)
Accounts receivable - other	3,161	22,275
Accounts payable and accrued expenses	(36,415)	28,462
Accrued salaries	48,751	19,804
	<u>(1,415,950)</u>	<u>(1,154,464)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(29,811)	(10,785)
Purchase of investments	(13,495,384)	(13,355,538)
Proceeds from sale of investments	14,711,472	13,284,184
	<u>1,186,277</u>	<u>(82,139)</u>
Net cash provided by (used in) investing activities		
Net decrease in cash and cash equivalents	(229,673)	(1,236,603)
Cash and cash equivalents, beginning of the year	<u>1,905,466</u>	<u>3,142,069</u>
Cash and cash equivalents, end of the year	<u>\$ 1,675,793</u>	<u>\$ 1,905,466</u>

See accompanying notes to consolidated financial statements.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements

1. **Organization:**

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, Virginia Equal Housing Foundation (the "Foundation" or "V.E.H.F."), 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 the related organization and control of the Foundation through a majority voting interest of its governing board. All significant intercompany transactions have been eliminated for the year ended June 30, 2009 in the consolidation, including the \$1,500,000 contribution from the Foundation to H.O.M.E.

Accounting Method: The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation: The 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 financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Fund Accounting: In order to ensure observance of limitations and restrictions placed on the use of resources available to the Organization, its accounts are maintained in accordance with the principles of fund accounting. Therefore, resources are classified for accounting and reporting purposes in accordance with activities and objectives as specified by donors; or with regulations, restrictions, or limitations imposed by external authorities; or according to directions issued by the governing board.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report 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.

Unrestricted Funds are those funds presently available for use by the Organization for the general support of operations.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Fund Accounting, continued: Temporarily Restricted Funds are those funds that were given to the Organization by outside parties for specific purposes.

The Organization has no permanently restricted funds.

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

Cash Equivalents: For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

Concentrations: Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investment securities. The Organization maintains its cash balances with several financial institutions located in Richmond, Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization periodically exceeded this limit during the year. 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 could materially affect the investment balances and the amount reported in the financial statements.

Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate (3.5% to 5% for pledges outstanding from 2007 through 2009). Amortization of the discount is included in the contributions revenues.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment are stated at cost. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, which range from three to 39 years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

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: The Organization reports contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and nature of donor restrictions, if any.

Income Taxes: H.O.M.E. and the Foundation are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. They are exempt from income taxes on their receipts and disbursements used for charitable purposes.

Adoption of New Accounting Principles: During fiscal 2009, the Organization adopted the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure of fair value measurements. The provisions of SFAS No. 157 are effective for the Organization in 2009 for financial assets and liabilities as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. The Organization's implementation of SFAS 157, as it relates to financial assets, financial liabilities and other assets and liabilities that are carried at fair value on a recurring basis, did not have a material effect on its results of operations, financial position or cash flows for 2009 (see Note 4).

Subsequent Events: Management has evaluated subsequent events through November 3, 2009 and has determined there are no subsequent events to be reported in the accompanying financial statements.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

3. Investments:

Investments held by V.E.H.F as of June 30, 2009 are summarized as follows:

	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Marketable debt securities	\$ 4,963,549	\$ 76,636	\$ 5,040,185
Marketable equity securities	<u>3,724,135</u>	<u>(153,514)</u>	<u>3,570,621</u>
	<u>\$ 8,687,684</u>	<u>\$ (76,878)</u>	<u>\$ 8,610,806</u>

The following schedule summarizes the unrestricted investment return and its classification in the statement of activities for the year ended June 30, 2009:

Interest income	\$ 297,097
Dividend income	92,262
Realized losses	(773,441)
Unrealized losses	(221,541)
Investment management expenses	<u>(60,070)</u>
Total investment return	<u>\$ (665,693)</u>

4. Fair Value Measurements:

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). This statement establishes a framework for measuring fair value, clarifies the definition of fair value within that framework and expands disclosure requirements regarding the use of fair value measurements. SFAS 157 became effective for financial statements issued for fiscal years beginning after November 15, 2007.

SFAS 157 establishes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the market in which the assets or liabilities are traded and the reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available.

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

4. Fair Value Measurements, Continued:

The levels of the hierarchy are defined as follows:

Level 1 – Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 – Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2009, include the following:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,570,622	\$ -	\$ -	\$ 3,570,622
Government and agency bonds	3,498,489	-	-	3,498,489
Corporate obligations	1,541,695	-	-	1,541,695
Total assets at fair value	<u>\$ 8,610,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,610,806</u>

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

5. Pledges Receivable:

Net pledges receivable include the following unconditional promises to give as of June 30, 2009:

Amounts due in:		
Less than one year	\$	47,070
One to five years		46,342
Less - allowance for uncollectable pledges		(13,174)
Less - allowance for discount to present value		<u>(2,853)</u>
	\$	<u>77,385</u>

6. Grants and Their Accounting Periods:

Certain grants awarded to the Organization during its fiscal year ended June 30, 2009 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: Tidewater Education & Outreach	December 31
City of Richmond:	
City of Richmond Employee Down payment Assistance	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
Neighborhoods in Bloom - Down payment Assistance Plus	June 30
County of Chesterfield:	
HOME Keystone Program for First-time Homebuyers	June 30
City of Portsmouth:	
Portsmouth Fair Housing Center	June 30
County of Henrico:	
Downpayment Assistance Program	September 30
Commonwealth of Virginia:	
State HOME Funds	June 30

HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA, INC.

Notes to Consolidated Financial Statements, Continued

7. Operating Lease Commitments:

The Organization leases office space in Richmond, Virginia under a 60-month operating lease which expires March 31, 2010, and leases office space in Portsmouth, Virginia under a 36-month operating lease which expires November 30, 2009. The Organization also leases certain equipment under non-cancelable operating lease agreements. The minimum future rental payments at June 30, 2009 are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 136,469
2011	<u>8,939</u>
	<u>\$ 145,408</u>

Rent expense for the year ended June 30, 2009 was \$297,711.

8. Retirement Plan:

The Organization offers a deferred income 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 2009 of \$125,818.

