Consolidated
Financial Statements
Year Ended
June 30, 2010

Housing Opportunities Made Equal of Virginia, Inc.

Goodman
& COMPANY

Certified Public Accountants
Specialized Services
Business Solutions

Housing Opportunities Made Equal of Virginia, Inc.

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Report of Independent Auditors

Board of Directors
Housing Opportunities Made Equal of Virginia, Inc.

We have audited the accompanying consolidated statement of financial position of ***Housing Opportunities Made Equal of Virginia, Inc.*** as of June 30, 2010, 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 management of ***Housing Opportunities Made Equal of Virginia, Inc.*** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information was derived from ***Housing Opportunities Made Equal of Virginia, Inc.'s*** June 30, 2009 consolidated financial statements, which were audited by other auditors, and in their report, dated November 3, 2009, they expressed an unqualified opinion on those consolidated financial statements. As discussed in Note 10, the Organization has restated its 2009 financial statements during the current year to reflect temporary restricted contribution revenue and cash, in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the 2009 consolidated financial statements before the restatement.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of ***Housing Opportunities Made Equal of Virginia, Inc.*** as of June 30, 2010, and the consolidated 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 of America.

We also audited the adjustments described in Note 10 that were applied to restate the 2009 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Goodman & Company LLP

Richmond, Virginia
November 17, 2010

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Housing Opportunities Made Equal of Virginia, Inc.

Consolidated Statement of Financial Position

June 30, 2010, with Comparative Totals for 2009	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 1,994,762	$ 1,725,793
Investments	7,786,728	8,610,806
Accounts receivable - grants and contracts	549,514	222,516
Accounts receivable - other	11,801	-
Pledges receivable - current portion	34,025	33,896
Interest receivable	28,362	39,751
Prepaid expenses	80,275	77,787
Other current assets	113,984	42,795
Total current assets	10,599,451	10,753,344
Property and equipment - net	62,103	94,081
Other assets		
Pledges receivable - less current portion	23,794	43,489
	$ 10,685,348	$ 10,890,914
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 20,321	$ 46,072
Accrued payroll liablities	190,618	193,027
Total liabilities	210,939	239,099
Net assets		
Unrestricted	10,309,774	10,392,938
Temporarily restricted	164,635	258,877
Total net assets	10,474,409	10,651,815
	$ 10,685,348	$ 10,890,914

The accompanying notes are an integral part of these consolidated financial statements.

Housing Opportunities Made Equal of Virginia, Inc.

Consolidated Statement of Activities

Year Ended June 30, 2010, with Comparative Totals for 2009

	Unrestricted	Temporarily Restricted	**2010**	**2009**
Revenue and support				
Grants and contracts	$ 195,737	$ 2,001,685	$ 2,197,422	$ 1,889,493
Contributions	36,132	64,520	100,652	113,116
Net investment income (loss)	873,654	-	873,654	(665,693)
Legal settlements	11,125	-	11,125	31,000
Miscellaneous	10,952	-	10,952	4,009
Fees and services	6,600	-	6,600	6,460
Loan repayments	-	-	-	2,524
	1,134,200	2,066,205	3,200,405	1,380,909
Net assets released from restrictions	2,160,447	(2,160,447)	-	-
Total revenue and support	3,294,647	(94,242)	3,200,405	1,380,909
Expenses				
Program services	2,902,490	-	2,902,490	3,460,438
Management and general	236,007	-	236,007	221,688
Fundraising	239,314	-	239,314	257,287
	3,377,811	-	3,377,811	3,939,413
Change in net assets	(83,164)	(94,242)	(177,406)	(2,558,504)
Net assets - beginning of year, restated	10,392,938	258,877	10,651,815	13,210,319
Net assets - end of year	$ 10,309,774	$ 164,635	$ 10,474,409	$ 10,651,815

The accompanying notes are an integral part of these consolidated financial statements.

Housing Opportunities Made Equal of Virginia, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2010, with Comparative Totals for 2009

	Program Services							
	Housing Education	Housing Advocacy	Housing Policy and Research	Total Program Services	General and Administrative	Fundraising	**2010**	**2009**
Salaries/personnel	$ 530,603	$ 184,944	$ 164,298	$ 879,845	$ 379,478	$ 92,367	$ 1,351,690	$ 1,764,551
Fringe benefits	126,307	52,996	29,308	208,611	87,739	21,239	317,589	468,894
Training and professional activities	11,456	11,425	5,157	28,038	1,953	1,506	31,497	28,930
Supplies and materials	27,244	13,442	54	40,740	13,395	2,271	56,406	66,941
Equipment rental and acquisitions	-	2,286	-	2,286	16,130	-	18,416	25,621
Direct client assistance	963,470	-	-	963,470	-	-	963,470	949,608
Occupancy	131,649	52,163	39,866	223,678	17,797	22,137	263,612	272,879
Travel	262	3,264	482	4,008	1,166	676	5,850	20,374
Telephone	1,463	7,101	2,693	11,257	25,664	1,342	38,263	54,129
Professional and contract services	43,728	16,546	13,540	73,814	65,797	9,217	148,828	159,166
Miscellaneous	4,035	5,314	1,204	10,553	18,179	43,652	72,384	47,116
Membership dues	55	814	350	1,219	1,644	1,239	4,102	5,618
Liability insurance	-	(297)	-	(297)	9,258	-	8,961	9,203
Depreciation	-	-	-	-	33,778	-	33,778	41,355
Printing	27,398	9,436	2,864	39,698	-	895	40,593	1,621
Indirect costs	254,367	102,178	59,025	415,570	(458,343)	42,773	-	-
Foundation expenses	-	-	-	22,372	-	-	-	23,407
	$ 2,122,037	$ 461,612	$ 318,841	$ 2,924,862	$ 213,635	$ 239,314	$ 3,355,439	$ 3,939,413

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended June 30, 2010, with Comparative Totals for 2009	2010	2009
Cash flows from operating activities		
Change in net assets	$ (177,406)	$ (2,558,504)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	33,778	41,355
Net realized and unrealized (gains) losses on investments	(653,038)	994,088
Bad debt expense	7,870	-
Change in:		
Accounts receivable - grants and contracts	(326,998)	83,819
Accounts receivable - other	(11,801)	3,161
Pledges receivable	11,696	25,406
Interest receivable	11,389	-
Prepaid expenses	(2,488)	32,389
Other current assets	(71,189)	-
Accounts payable and accrued expenses	(30,029)	(36,415)
Accrued payroll liabilities	1,866	48,751
Net cash from operating activities	(1,206,350)	(1,365,950)
Cash flows from investing activities		
Purchase of property and equipment	(1,800)	(29,811)
Proceeds from sale of investments	16,312,057	14,711,472
Purchase of investments	(14,834,938)	(13,495,384)
Net cash from investing activities	1,475,319	1,186,277
Net change in cash and cash equivalents	268,969	(179,673)
Cash and cash equivalents - beginning of year	1,725,793	1,905,466
Cash and cash equivalents - end of year	$ 1,994,762	$ 1,725,793

The accompanying notes are an integral part of these 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, ***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.

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 statement of activities as net assets released from restrictions. At June 30, 2010, 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, 2010.

Cash Equivalents

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 securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement 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 statement 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 3-7 years and leasehold improvements 39 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. The Organization had $1,900,630 in cash and cash equivalents in excess of federally insured limits at June 30, 2010. 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.

Pledges Receivable

Pledges receivable are reported at fair value. Balances as of June 30, 2010, are considered by management to be collectible and no provision for uncollectible accounts has been made.

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, 2010.

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.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the Commonwealth of Virginia.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 17, 2010, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts from the prior year's statements have been reclassified to conform to the current year's statement presentation.

3. Investments

Investments held by the Organization as of June 30, 2010, are summarized as follows:

	Cost	Unrealized Gain (Loss)	Fair Value
Marketable debt securities	$ 3,476,937	$ 179,799	$ 3,656,736
Marketable equity securities	4,197,355	(67,363)	4,129,992
	$ 7,674,292	$ 112,436	$ 7,786,728

The following schedule summarized the investment return and its classification in the consolidated statement of activities for the year ended June 30, 2010:

Interest income	$ 191,007
Dividend income	81,213
Realized gains	463,724
Unrealized gains	189,314
Other investment income	7,708
Investment management expenses	(59,312)
Total investment return	$ 873,654

4. Fair Value Measurements

As of June 30, 2009, the Organization 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 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 are used 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.

Equity securities, government and agency bonds, corporate obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Pledges receivable: Reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount.

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 2010.

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

	Fair Value as of June 30, 2010			
	Level 1	Level 2	Level 3	Total
Equity securities	$ 4,129,992	$ -	$ -	$ 4,129,992
Government and agency bonds	1,014,021	-	-	1,014,021
Corporate obligations	2,642,715	-	-	2,642,715
Pledges receivable	-	-	57,819	57,819
	$ 7,786,728	$ -	$ 57,819	$ 7,844,547

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for 2010:

	Pledges Receivable
Balance – June 30, 2009	$ 77,385
New pledges received	9,250
Collections	(23,152)
Pledges written off	(7,870)
Change in fair value	2,206
Balance – June 30, 2010	$ 57,819

5. Pledges Receivable

Unconditional pledges receivable consist of the following at June 30, 2010:

Pledges due within one year	$ 34,025
Pledges due in two to five years	24,441
	58,466
Less – fair value discount of 2.72%	(647)
Pledges receivable - net	$ 57,819

In order to simplify their accounting process for pledges receivable, the Organization records all pledges receivable at fair value. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all pledges.

The fair value adjustment for 2010 was $2,206 and is included in contribution income in the consolidated statement of activities. No changes in the fair value measurement were attributable to instrument specific credit risk.

6. Property and Equipment

Property and equipment consist of the following at June 30, 2010:

Furniture and equipment	$	286,399
Leasehold improvements		46,145
		332,544
Less - accumulated depreciation		(270,441)
	$	62,103

7. Grants and Their Accounting Periods

Certain grants awarded to the Organization during its fiscal year ended June 30, 2010 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 31
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
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:	
Down Payment Assistance Program	September 30
County of Fairfax:	
Analysis of the Impediments to Fair Housing Choice	June 30
Commonwealth of Virginia:	
State HOME Funds	June 30

During 2010, approximately 50% 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.

8. Operating Lease Commitments

The Organization has a 60-month operating lease for office space which expires on December 31, 2010 and a 90-month operating lease on office space which commences September 1, 2010. The Organization also leases certain equipment under non-cancelable operating leases. The minimum future rental payments are as follows for the year ending June 30:

2011	$ 249,381
2012	160,488
2013	160,488
2014	160,488
2015	160,488
Thereafter	425,392
	$ 1,316,725

Rent expense for the 2010 was $263,612.

9. 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 2010 of $40,988.

10. Prior Period Adjustment

Temporarily restricted contribution revenue and cash at June 30, 2009 have been restated for a $50,000 error due to recording the revenue in the incorrect period. The correction had no effect on the results of current year activities.

	Previously reported	Restated
Cash	$ 1,675,793	$ 1,725,793
Net assets	$ 10,601,815	$ 10,651,815
Contributions	$ 63,116	$ 113,116
Change in net assets	$ (2,608,504)	$ (2,558,504)

11. Comparative Totals

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 of America. Accordingly, such information should be read in conjunction with ***Housing Opportunities Made Equal of Virginia, Inc.'s*** consolidated financial statements for the year ended June 30, 2009, from which the summarized information was derived.

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