

*Consolidated
Financial Statements
Year Ended
June 30, 2012 and 2011*

*Housing Opportunities Made Equal of Virginia,
Inc. and Affiliate*



Housing Opportunities Made Equal of Virginia, Inc.

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Report of Independent Auditors

Board of Directors

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

We have audited the accompanying consolidated statements of financial position of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate*** as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate***. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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. and Affiliate*** as of June 30, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on the consolidated statements of financial position and the consolidated statements of activities on pages 3-6 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 basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Richmond, Virginia
November 16, 2012

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Statement of Financial Position, With Consolidating Information

June 30, 2012

	Consolidating Information			Consolidated
	H.O.M.E.	Foundation	Eliminating	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 594,936	\$ 368,889	\$ -	\$ 963,825
Due from Foundation	125,053	-	(125,053)	-
Investments	-	8,718,391	-	8,718,391
Accounts receivable - grants and contracts	367,297	-	-	367,297
Accounts receivable - other	704	-	-	704
Pledges receivable - current portion	1,952	-	-	1,952
Prepaid expenses	55,201	-	-	55,201
Other current assets	14,618	-	-	14,618
Total current assets	1,159,761	9,087,280	(125,053)	10,121,988
Property and equipment - net	37,512	-	-	37,512
Other assets				
Pledges receivable - less current portion	1,187	-	-	1,187
	\$ 1,198,460	\$ 9,087,280	\$ (125,053)	\$ 10,160,687
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 36,875	\$ 11,234	\$ -	\$ 48,109
Due to HOME	-	125,053	(125,053)	-
Accrued payroll liabilities	192,311	-	-	192,311
Deferred revenue	19,344	-	-	19,344
Deferred rent - current portion	10,610	-	-	10,610
Total current liabilities	259,140	136,287	(125,053)	270,374
Long-term liabilities				
Deferred rent - less current portion	56,528	-	-	56,528
Total liabilities	315,668	136,287	(125,053)	326,902
Net assets				
Unrestricted - undesignated	471,839	8,950,993	-	9,422,832
Unrestricted - Board designated	216,923	-	-	216,923
Total unrestricted net assets	688,762	8,950,993	-	9,639,755
Temporarily restricted	194,030	-	-	194,030
Total net assets	882,792	8,950,993	-	9,833,785
	\$ 1,198,460	\$ 9,087,280	\$ (125,053)	\$ 10,160,687

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Statement of Financial Position, With Consolidating Information

June 30, 2011

	Consolidating Information			Consolidated
	H.O.M.E.	Foundation	Eliminating	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 530,531	\$ 770,010	\$ -	\$ 1,300,541
Due from Foundation	68,396	-	(68,396)	-
Investments	-	8,763,757	-	8,763,757
Accounts receivable - grants and contracts	342,900	-	-	342,900
Accounts receivable - other	7,876	-	-	7,876
Pledges receivable - current portion	71,511	-	-	71,511
Interest receivable	-	30,385	-	30,385
Prepaid expenses	54,276	-	-	54,276
Other current assets	15,610	-	-	15,610
Total current assets	1,091,100	9,564,152	(68,396)	10,586,856
Property and equipment - net	36,592	-	-	36,592
Other assets				
Pledges receivable - less current portion	7,505	-	-	7,505
	\$ 1,135,197	\$ 9,564,152	\$ (68,396)	\$ 10,630,953
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 23,298	\$ -	\$ -	\$ 23,298
Due to HOME	-	68,396	(68,396)	-
Accrued payroll liabilities	195,359	-	-	195,359
Deferred rent - current portion	10,610	-	-	10,610
Total current liabilities	229,267	68,396	(68,396)	229,267
Long-term liabilities				
Deferred rent - less current portion	62,861	-	-	62,861
Total liabilities	292,128	68,396	(68,396)	292,128
Net assets				
Unrestricted - undesignated	647,993	9,495,756	-	10,143,749
Temporarily restricted	195,076	-	-	195,076
Total net assets	843,069	9,495,756	-	10,338,825
	\$ 1,135,197	\$ 9,564,152	\$ (68,396)	\$ 10,630,953

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Statement of Activities, With Consolidating Information

Year Ended June 30, 2012

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support						
Grants and contracts	\$ -	\$ 1,867,764	\$ 1,867,764	-	-	\$ 1,867,764
Contributions	1,280,762	74,250	1,355,012	-	(1,125,054)	229,958
Net investment income	644	-	644	603,882	-	604,526
Legal settlements	7,065	-	7,065	-	-	7,065
Miscellaneous	20,066	-	20,066	-	-	20,066
Loan repayments	600	-	600	-	-	600
Loss on disposal of assets	(227)	-	(227)	-	-	(227)
	1,308,910	1,942,014	3,250,924	603,882	(1,125,054)	2,729,752
Net assets released from restrictions	1,943,060	(1,943,060)	-	-	-	-
Total revenue and support	3,251,970	(1,046)	3,250,924	603,882	(1,125,054)	2,729,752
Expenses (see schedule)						
Program services	2,647,391	-	2,647,391	1,125,054	(1,125,054)	2,647,391
Management and general	323,346	-	323,346	23,591	-	346,937
Fundraising	240,464	-	240,464	-	-	240,464
	3,211,201	-	3,211,201	1,148,645	(1,125,054)	3,234,792
Change in net assets						
Unrestricted	40,769	-	40,769	(544,763)	-	(503,994)
Temporarily restricted	-	(1,046)	(1,046)	-	-	(1,046)
	40,769	(1,046)	39,723	(544,763)	-	(505,040)
Net assets - beginning of year	647,993	195,076	843,069	9,495,756	-	10,338,825
Net assets - end of year	\$ 688,762	\$ 194,030	\$ 882,792	\$ 8,950,993	\$ -	\$ 9,833,785

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Statement of Activities, With Consolidating Information

Year Ended June 30, 2011

	Consolidating Information					Consolidated Total
	H.O.M.E.			Foundation		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Eliminating	
Revenue and support						
Grants and contracts	\$ -	\$ 1,685,176	\$ 1,685,176	\$ -	\$ -	\$ 1,685,176
Contributions	1,222,269	118,500	1,340,769	-	(1,192,920)	147,849
Net investment income	1,529	-	1,529	1,282,812	-	1,284,341
Legal settlements	7,045	-	7,045	-	-	7,045
Miscellaneous	15,759	-	15,759	-	-	15,759
Fees and services	925	-	925	-	-	925
Loan repayments	500	-	500	-	-	500
Loss on disposal of assets	(40,547)	-	(40,547)	-	-	(40,547)
	1,207,480	1,803,676	3,011,156	1,282,812	(1,192,920)	3,101,048
Net assets released from restrictions	1,773,235	(1,773,235)	-	-	-	-
Total revenue and support	2,980,715	30,441	3,011,156	1,282,812	(1,192,920)	3,101,048
Expenses (see schedule)						
Program services	2,774,903	-	2,774,903	1,192,920	(1,192,920)	2,774,903
Management and general	211,318	-	211,318	23,590	-	234,908
Fundraising	226,821	-	226,821	-	-	226,821
	3,213,042	-	3,213,042	1,216,510	(1,192,920)	3,236,632
Change in net assets						
Unrestricted	(232,327)	-	(232,327)	66,302	-	(166,025)
Temporarily restricted	-	30,441	30,441	-	-	30,441
	(232,327)	30,441	(201,886)	66,302	-	(135,584)
Net assets - beginning of year	880,320	164,635	1,044,955	9,429,454	-	10,474,409
Net assets - end of year	\$ 647,993	\$ 195,076	\$ 843,069	\$ 9,495,756	\$ -	\$ 10,338,825

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Schedule of Functional Expenses

Year Ended June 30, 2012

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Housing Education	Housing Advocacy	Housing Policy and Research				
Salaries/personnel	\$ 461,237	\$ 282,686	\$ 137,210	\$ 881,133	\$ 454,279	\$ 75,537	\$ 1,410,949
Direct client assistance	781,153	-	-	781,153	-	-	781,153
Fringe benefits	101,272	70,620	19,636	191,528	100,981	16,379	308,888
Professional and contract services	10,482	54,237	13,049	77,768	116,614	7,958	202,340
Occupancy	88,591	52,844	24,495	165,930	20,390	13,861	200,181
Miscellaneous	6,044	14,454	1,210	21,708	23,040	77,941	122,689
Training and professional activities	6,880	19,238	3,966	30,084	3,166	3,312	36,562
Equipment rental and acquisitions	-	10,291	-	10,291	22,035	-	32,326
Supplies and materials	4,186	3,733	2,201	10,120	14,418	3,336	27,874
Telephone	-	917	1,800	2,717	22,538	900	26,155
Foundation expenses	-	-	-	-	23,591	-	23,591
Printing	5,988	1,743	11,483	19,214	(273)	710	19,651
Depreciation	-	-	-	-	16,863	-	16,863
Liability insurance	-	-	-	-	12,917	-	12,917
Membership dues	920	1,448	550	2,918	3,002	1,308	7,228
Travel	409	2,786	484	3,679	932	814	5,425
Indirect costs	237,490	165,611	46,047	449,148	(487,556)	38,408	-
	\$ 1,704,652	\$ 680,608	\$ 262,131	\$ 2,647,391	\$ 346,937	\$ 240,464	\$ 3,234,792

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Schedule of Functional Expenses

Year Ended June 30, 2011

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Housing Education	Housing Advocacy	Housing Policy and Research				
Salaries/personnel	\$ 578,893	\$ 221,409	\$ 148,038	\$ 948,340	\$ 425,485	\$ 82,230	\$ 1,456,055
Direct client assistance	732,166	-	-	732,166	-	-	732,166
Fringe benefits	147,038	61,080	28,128	236,246	106,737	21,000	363,983
Occupancy	95,672	42,386	36,949	175,007	15,389	20,193	210,589
Professional and contract services	17,946	26,767	9,022	53,735	74,334	6,431	134,500
Miscellaneous	32,749	19,794	8,239	60,782	22,132	44,016	126,930
Training and professional activities	4,946	16,336	12,567	33,849	5,817	1,188	40,854
Supplies and materials	6,314	8,516	138	14,968	14,510	4,048	33,526
Telephone	400	587	1,805	2,792	22,529	1,034	26,355
Foundation expenses	-	-	-	-	23,589	-	23,589
Equipment rental and acquisitions	-	1,000	-	1,000	21,647	-	22,647
Printing	11,372	9,154	1,157	21,683	-	911	22,594
Depreciation	-	-	-	-	19,884	-	19,884
Travel	1,586	4,932	596	7,114	1,535	694	9,343
Liability insurance	-	-	-	-	9,107	-	9,107
Membership dues	270	1,079	50	1,399	1,219	1,892	4,510
Indirect costs	302,373	125,607	57,842	485,822	(529,006)	43,184	-
	<u>\$ 1,931,725</u>	<u>\$ 538,647</u>	<u>\$ 304,531</u>	<u>\$ 2,774,903</u>	<u>\$ 234,908</u>	<u>\$ 226,821</u>	<u>\$ 3,236,632</u>

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Consolidated Statement of Cash Flows

Year Ended June 30, 2012	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (505,040)	\$ (135,584)
Adjustments to reconcile to net cash from operating activities:		
Depreciation	16,863	19,884
Amortization of deferred rent	(12,635)	(6,101)
Net realized and unrealized gains on investments	(375,617)	(1,060,374)
Loss on disposal of assets	227	40,547
Bad debt expense	21,785	19,018
Change in:		
Accounts receivable - grants and contracts	(24,397)	206,614
Accounts receivable - other	7,172	3,925
Pledges receivable	54,092	(40,215)
Interest receivable	30,385	(2,023)
Prepaid expenses	(925)	25,999
Other current assets	992	51,245
Accounts payable and accrued expenses	24,811	2,977
Accrued payroll liabilities	(3,048)	4,741
Deferred revenue	19,344	-
Deferred rent	6,302	79,572
Net cash from operating activities	(739,689)	(789,775)
Cash flows from investing activities		
Purchase of property and equipment	(18,010)	(34,920)
Proceeds from sale of investments	10,641,169	13,427,362
Purchase of investments	(10,220,186)	(13,344,017)
Net cash from investing activities	402,973	48,425
Net change in cash and cash equivalents	(336,716)	(741,350)
Cash and cash equivalents - beginning of year	1,300,541	2,041,891
Cash and cash equivalents - end of year	\$ 963,825	\$ 1,300,541

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

Housing Opportunities Made Equal of Virginia, Inc. and Affiliate

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Basis of Presentation

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

Unrestricted amounts are those currently available at the discretion of the Organization's Board of Directors for use in the Organization's operations. At June 30, 2012 board designated amounts were designated for HOME Consulting Services and fair housing initiatives.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. At June 30, 2012 and 2011, the restricted use of these amounts is based on grant contracts and agreements and an individual donation for HOME Consulting Services.

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, 2012 and 2011.

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 5 years.

Estimates

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

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investment securities, and accounts receivable. The Organization maintains its cash balances with high credit quality financial institutions. During 2012 and 2011, the Organization's had cash and cash equivalents in a financial institution that may exceed the amount insured by agencies of the federal government. The Organization's ability to collect its receivables is dependent upon the financial condition of the debtors.

The Organization invests in various investment securities which are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the investment balances and the amounts reported in the consolidated financial statements.

Pledges Receivable

Pledges receivable are reported at fair value. Balances as of June 30, 2012 and 2011, 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, 2012 and 2011.

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 income tax under the Internal Revenue Code Section 501(c)(3) and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2012. Fiscal years ending on or after June 30, 2009 remain subject to examination by federal and state tax authorities.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2012, 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, are summarized as follows:

	June 30, 2012		
	Cost	Unrealized Gain	Fair Value
Mutual funds	\$ 7,360,851	\$ 388,098	\$ 7,748,949
Marketable equity securities	628,137	79,745	707,882
Marketable debt securities	233,083	28,477	261,560
	<u>\$ 8,222,071</u>	<u>\$ 496,320</u>	<u>\$ 8,718,391</u>
	June 30, 2011		
	Cost	Unrealized Gain	Fair Value
Marketable equity securities	\$ 3,817,013	\$ 637,613	\$ 4,454,626
Marketable debt securities	4,219,357	89,774	4,309,131
	<u>\$ 8,036,370</u>	<u>\$ 727,387</u>	<u>\$ 8,763,757</u>

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

	<u>2012</u>	<u>2011</u>
Interest income	\$ 46,652	\$ 162,263
Dividend income	208,072	108,763
Realized gains	606,684	445,430
Unrealized gains	(231,067)	614,944
Other investment income	17,778	11,724
Investment management expenses	(43,593)	(58,783)
	<hr/>	<hr/>
Total investment return	\$ 604,526	\$ 1,284,341

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds, equity & debt securities: 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 2012 and 2011.

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

Fair Value as of June 30, 2012				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Corporate and government bonds	\$ 4,066,018	\$ -	\$ -	\$ 4,066,018
Domestic stocks	3,426,250	-	-	3,426,250
International stocks	256,681	-	-	256,681
Equity securities				
Domestic stocks	707,882	-	-	707,882
Debt securities				
Mortgage-backed securities	261,560	-	-	261,560
Pledges receivable	-	-	3,139	3,139
Total	\$ 8,718,391	\$ -	\$ 3,139	\$ 8,721,530
Fair Value as of June 30, 2011				
	Level 1	Level 2	Level 3	Total
Equity securities				
Energy and materials	\$ 702,722	\$ -	\$ -	\$ 702,722
Industrials	457,314	-	-	457,314
Consumer securities	865,242	-	-	865,242
Healthcare	578,332	-	-	578,332
Financials	550,686	-	-	550,686
Information technology and telecommunication	1,000,977	-	-	1,000,977
Utilities	299,353	-	-	299,353
Debt securities				
Mortgage-backed securities	1,994,995	-	-	1,994,995
U.S. Treasury securities	1,415,056	-	-	1,415,056
Corporate obligations	899,080	-	-	899,080
Pledges receivable	-	-	79,016	79,016
Total	\$ 8,763,757	\$ -	\$ 79,016	\$ 8,842,773

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:

	<u>2012</u>	<u>2011</u>
Balance – beginning of the year	\$ 79,016	\$ 57,819
New pledges received	-	52,000
Collections	(53,210)	(10,841)
Pledges written off	(21,785)	(19,018)
Change in fair value	(882)	(944)
	<hr/>	<hr/>
Balance – end of the year	\$ 3,139	\$ 79,016

5. Pledges Receivable

Unconditional pledges receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Pledges due within one year	\$ 1,952	\$ 71,511
Pledges due in two to five years	1,200	8,399
	<hr/>	<hr/>
	3,152	79,910
Less – fair value discount of 2.27%	(13)	(894)
	<hr/>	<hr/>
Pledges receivable - net	\$ 3,139	\$ 79,016

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 2012 and 2011 was (\$13) and (\$894), respectively 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.

During 2011, the Organization was approved for a 2:1 matching grant in the amount of \$100,000. This matching grant is conditional upon the Organization raising the required match by May 2012. Since this grant was conditional, there were no contributions recorded as of June 30, 2011 for matching funds raised by the Organization during 2011. This matching grant was not received during 2012.

6. Grants and Their Accounting Periods

Certain grants awarded to the Organization during its fiscal years ended June 30, 2012 and 2011 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, National Fair Housing Alliance	April 15
Private Enforcement Initiative, Piedmont Housing Alliance	April 30
Private Enforcement Initiative, Richmond	June 30

Private Enforcement Initiative, Hampton Roads	December 31
Fair Housing Organization 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
City of Lynchburg:	
Housing Needs Assessment Study	December 31
County of Chesterfield:	
Community Development Block Grant for Foreclosure Prevention	June 30
HOME Keystone Program for First-time Homebuyers	June 30
County of Henrico:	
Down Payment Assistance Program	September 30
Commonwealth of Virginia:	
State HOME Funds	June 30
Virginia Housing Development Authority:	
NeighborWorks America	December 31
National Community Reinvestment Coalition:	
NeighborWorks America	December 31
Urban Institute	May 30

During 2012 and 2011, approximately 62% and 44%, respectively, of support came from federal, state and local government sources. Any significant reduction in the level of this support would have a corresponding effect on the Organization's ability to maintain its current programs and services.

7. Property and Equipment

Property and equipment consist of the following:

	2012	2011
Furniture and equipment	\$ 174,974	\$ 256,267
Leasehold improvements	10,324	10,323
	<u>185,298</u>	<u>266,590</u>
Less - accumulated depreciation	(147,786)	(229,998)
	<u>\$ 37,512</u>	<u>\$ 36,592</u>

8. Operating Lease Commitments

The Organization has a two operating leases for office space which expires on April 30, 2018. 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:

2013	\$	186,836
2014		185,866
2015		181,695
2016		183,089
2017		188,581
Thereafter		<u>161,298</u>
	\$	<u>1,087,365</u>

Rent expense for the 2012 and 2011 was \$200,181 and \$210,589. The Organization received six months of free rent during 2011 and 2012 under the operating lease for the operating space. The value of the free rent is deferred and amortized on a straight line basis over the life of the lease. The total amount of the liability at June 30, 2012 and 2011 was \$67,138 and \$73,471, respectively. Accumulated amortization was \$18,736 and \$6,101.

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. During 2012, the Organization used remaining forfeiture funds to cover the obligations under the retirement plan. The Organization made contributions to the plan in fiscal 2012 and 2011 of \$47,218 and \$56,527, respectively.

10. Subsequent Events

Subsequent to year end, the Organization executed a contract for fundraising and development services. Total amounts due under the agreement total \$20,000.

* * * * *

Housing Opportunities Made Equal of Virginia, Inc.

Compliance Section

June 30, 2012

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DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Report on Internal Control Over Financial
Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

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

We have audited the consolidated financial statements of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate*** as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate*** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate***'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose expressing an opinion on the effectiveness of ***Housing Opportunities Made Equal of Virginia, Inc. and Affiliate***'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Housing Opportunities Made Equal of Virginia, Inc. and Affiliate*'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of *Housing Opportunities Made Equal of Virginia, Inc. and Affiliate*'s in a separate letter dated November 16, 2012.

This report is intended solely for the information and use of management, the audit committee, the Board of Director's, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Richmond, Virginia
November 16, 2012



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133***

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

Compliance

We have audited the compliance of ***Housing Opportunities Made Equal of Virginia, Inc.*** with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. ***Housing Opportunities Made Equal of Virginia, Inc.***'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of ***Housing Opportunities Made Equal of Virginia, Inc.***'s management. Our responsibility is to express an opinion on ***Housing Opportunities Made Equal of Virginia, Inc.***'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about ***Housing Opportunities Made Equal of Virginia, Inc.***'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. Our audit does not provide a legal determination on ***Housing Opportunities Made Equal of Virginia, Inc.***'s compliance with those requirements.

In our opinion, ***Housing Opportunities Made Equal of Virginia, Inc.*** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of ***Housing Opportunities Made Equal of Virginia, Inc.*** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ***Housing Opportunities Made Equal of Virginia, Inc.***'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of ***Housing Opportunities Made Equal of Virginia, Inc.***'s internal control over compliance. Accordingly, we do not express our opinion on the effectiveness of ***Housing Opportunities Made Equal of Virginia, Inc.***'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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, the Board of Director's, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Richmond, Virginia
November 16, 2012

Housing Opportunities Made Equal of Virginia, Inc.
Schedule of Expenditures of Federal Awards,
Notes to Schedule of Expenditures of Federal Awards
and
Schedule of Findings and Questioned Costs
June 30, 2012
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Housing Opportunities Made Equal of Virginia, Inc.

Schedule of Expenditures of Federal Awards

June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U. S. Department of Housing and Urban Development		
Housing Counseling Program		
Comprehensive Housing Counseling 10-11	14.169	\$ 12,298
Comprehensive Housing Counseling 11-12	14.169	23,282
Total Housing Counseling Program		<u>35,580</u>
Fair Housing Initiatives Program		
Private Enforcement Initiative, Subcontract with the National Fair Housing Alliance	14.408	36,110
Private Enforcement Initiative, Subcontract with the Piedmont Housing Alliance	14.408	13,874
Private Enforcement Initiative Richmond	14.408	104,798
Private Enforcement Initiative Hampton Roads	14.408	30,337
Fair Housing Organization Initiative	14.408	73,826
Total Fair Housing Initiatives Program		<u>258,944</u>
Community Development Block Grant (CDBG) Program		
County of Chesterfield		
* CDBG Foreclosure Prevention	14.228	45,300
County of Henrico		
* Downpayment Assistance Program, (Counseling and Loan Processing Fees) 10-11	14.228	11,000
* Downpayment Assistance Program, (Counseling and Loan Processing Fees) 11-12	14.228	27,500
City of Richmond		
* Downpayment Assistance Program for First-time Homebuyers	14.228	20,162
* Housing Information & Counseling Program	14.228	200,000
City of Lynchburg		
Housing Needs Assessment Study	14.218	124
Total CDBG Program		<u>304,086</u>
Home Investment Partnerships (HOME) Program		
City of Richmond		
* HOME Keystone Program for First-time Homebuyers, Richmond Citywide	14.239	252,218
* Neighborhoods in Bloom-Downpayment Assistance Program	14.239	258,023

Housing Opportunities Made Equal of Virginia, Inc.

Schedule of Expenditures of Federal Awards (Continued)

June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U. S. Department of Housing and Urban Development (continued)		
Home Investment Partnerships Program (continued)		
County of Chesterfield		
* HOME Keystone Program for First-time Homebuyers	14.239	84,715
Commonwealth of Virginia		
* State HOME Funds 10-11	14.239	71,700
* State HOME Funds 11-12	14.239	82,600
County of Henrico		
* Downpayment Assistance Program for First-time Homebuyers 10-11	14.239	39,950
* Downpayment Assistance Program for First-time Homebuyers 11-12	14.239	106,135
Total HOME Program		<u>895,341</u>
NeighborWorks America		
Virginia Housing Development Authority NeighborWorks America	NRC:21.000PL110- 289.95X1350	91,170
National Community Reinvestment Coalition NeighborWorks America	NRC:21.000PL110- 289.95X1350	16,380
Urban Institute	CNYC00936	<u>84,830</u>
		<u>\$ 1,686,331</u>

Notes:

- 1) Type A program dollar threshold - \$300,000.
- *Denotes major program

The accompanying notes are an integral part of this schedule.

Housing Opportunities Made Equal of Virginia, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the activity of all federal awards of Housing Opportunities Made Equal of Virginia, Inc. for the year ended June 30, 2012. All federal awards received directly or indirectly from the federal agencies are included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Note 2. Basis of Accounting

The schedule is prepared using the accrual basis of accounting and expenditures of federal programs are recognized as incurred.

Housing Opportunities Made Equal of Virginia, Inc.

Schedule of Findings and Questioned Costs

June 30, 2012

1. Summary of Auditors' Results

- a. An unqualified opinion was issued on the consolidated financial statements.
- b. There were no significant deficiencies or material weaknesses noted in internal control over financial reporting .
- c. The audit did not disclose any material noncompliance.
- d. There were no significant deficiencies noted in internal control over major programs to disclose.
- e. An unqualified opinion was issued on compliance for major programs.
- f. The audit did not disclose any audit findings required to be reported.
- g. The major programs were the Community Development Block Grant Program and the Home Investment Partnerships Program.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The auditee did not qualify as a low-risk auditee due to a significant deficiency noted in internal control over financial reporting which was considered to be a material weakness for the year ending June 30, 2010.

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

- a. None

3. Findings and Questioned Costs for Federal Awards

- a. None

4. Disposition of Prior Year Findings

- a. None