



ELDERHOMES CORPORATION
dba project:HOMES AND SUBSIDIARIES

FINANCIAL AND COMPLIANCE AUDIT

YEARS ENDED JUNE 30, 2016 AND 2015

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries (the "Corporation"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statement of activities for the years then ended, consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Corporation's 2015 consolidated financial statements, and our report dated November 16, 2015, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2016, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
October 5, 2016

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,708,403	\$ 597,768
Grant receivables:		
Virginia Department of Housing and Community Development	334,361	415,687
County of Henrico	55,300	213,651
City of Richmond	355,273	201,394
County of Chesterfield	74,157	97,945
City of Hopewell	-	19,964
City of Colonial Heights	-	37,240
Virginia Housing Development Authority	44,075	39,900
Trade receivables	12,054	39,319
Work in progress	207,009	156,360
Inventory	79,035	74,225
Inventory of real estate	435,815	941,423
TOTAL CURRENT ASSETS	<u>3,305,482</u>	<u>2,834,876</u>
PROPERTY AND EQUIPMENT		
Land	138,336	138,336
Vehicles	540,711	533,591
Building and improvements	970,362	955,106
Equipment	241,247	241,247
	<u>1,890,656</u>	<u>1,868,280</u>
Less Accumulated depreciation	1,048,469	945,058
NET PROPERTY AND EQUIPMENT	<u>842,187</u>	<u>923,222</u>
OTHER ASSETS		
Investments - partnerships	709,551	709,501
Land held for investment	446,418	439,312
Loan costs	2,176	23,265
Accounts receivable - affiliates	408,227	590,983
TOTAL OTHER ASSETS	<u>1,566,372</u>	<u>1,763,061</u>
	<u>\$ 5,714,041</u>	<u>\$ 5,521,159</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 295,685	\$ 596,258
Advanced grants:		
Weatherization	10,000	60,000
Indoor plumbing	47,006	47,006
Due to Grantors	245,629	250,912
Accumulated vacation	106,570	84,107
Current portion of long-term debt	593,563	32,717
TOTAL CURRENT LIABILITIES	<u>1,298,453</u>	<u>1,071,000</u>
LONG-TERM DEBT	<u>457,179</u>	<u>1,050,730</u>
TOTAL LIABILITIES	<u>1,755,632</u>	<u>2,121,730</u>
NET ASSETS		
Unrestricted	3,494,506	3,185,026
Temporarily restricted	463,903	214,403
TOTAL NET ASSETS	<u>3,958,409</u>	<u>3,399,429</u>
	<u>\$ 5,714,041</u>	<u>\$ 5,521,159</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUES AND RECLASSIFICATIONS				
House sales	\$2,583,377	\$ -	\$2,583,377	\$2,189,380
Virginia Department of Housing and Community Development	-	1,831,951	1,831,951	2,106,720
City of Richmond	-	1,402,986	1,402,986	1,179,006
County of Henrico	-	984,013	984,013	1,001,413
Volunteer Services Program contributions:				
Corporations	-	413,983	413,983	201,221
Foundations	-	108,470	108,470	133,752
Individuals and churches	-	38,305	38,305	44,127
Dominion Energy Program	523,428	-	523,428	-
County of Chesterfield	-	395,810	395,810	317,231
Distributor sales	247,398	-	247,398	265,377
City of Petersburg	-	144,400	144,400	141,822
Development and monitoring fees	101,647	-	101,647	155,135
City of Colonial Heights	-	74,302	74,302	63,490
Richmond Regional Energy Alliance	-	66,551	66,551	71,764
Rental income	51,135	-	51,135	44,473
Southeast Energy Alliance	-	38,000	38,000	39,706
Interest	33,773	-	33,773	15,752
Commonwealth of Virginia	-	23,406	23,406	23,406
Virginia Housing Development Authority	-	4,175	4,175	49,453
Local Initiative Support Corporation	-	-	-	225,000
Construction management	-	-	-	124,882
City of Hopewell	-	-	-	19,964
Unrealized gains on investments	-	-	-	(1,397)
TOTAL REVENUES	3,540,758	5,526,352	9,067,110	8,411,677
Net assets released from restrictions:				
Restrictions satisfied by payments	5,276,852	(5,276,852)	-	-
TOTAL REVENUES AND RECLASSIFICATIONS	8,817,610	249,500	9,067,110	8,411,677

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES - Continued

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
EXPENDITURES				
Program Services				
Material and home purchases	5,736,299	-	5,736,299	4,978,476
Salaries - program staff	1,463,069	-	1,463,069	1,578,758
Employee benefits - program staff	375,013	-	375,013	386,613
Service contracts	219,145	-	219,145	344,022
Occupancy	102,044	-	102,044	57,262
Depreciation	87,079	-	87,079	122,451
Training	77,870	-	77,870	49,955
Vehicle operation	62,212	-	62,212	73,064
Insurance	60,430	-	60,430	69,498
Audit	24,920	-	24,920	24,518
Other	20,831	-	20,831	28,584
Supplies and tools	20,415	-	20,415	61,365
TOTAL PROGRAM SERVICES	8,249,327	-	8,249,327	7,774,566
Supporting Services				
Salaries - general and administrative	107,577	-	107,577	123,913
Employee benefits - general and administrative	26,853	-	26,853	23,716
Occupancy	25,511	-	25,511	14,316
Interest	23,269	-	23,269	24,226
Fundraising	22,907	-	22,907	21,889
Depreciation	21,769	-	21,769	30,613
Insurance	15,108	-	15,108	17,375
Other	8,230	-	8,230	10,426
Audit	6,230	-	6,230	6,130
Advertising	1,349	-	1,349	9,057
TOTAL SUPPORTING SERVICES	258,803	-	258,803	281,661
TOTAL EXPENSES	8,508,130	-	8,508,130	8,056,227

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES - Continued

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED TOTALS FOR YEAR ENDED JUNE 30, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
INCREASE IN NET ASSETS	309,480	249,500	558,980	355,450
Net assets, beginning of year	<u>3,185,026</u>	<u>214,403</u>	<u>3,399,429</u>	<u>3,043,979</u>
NET ASSETS - END OF YEAR	<u><u>\$3,494,506</u></u>	<u><u>\$ 463,903</u></u>	<u><u>\$3,958,409</u></u>	<u><u>\$3,399,429</u></u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding sources and other income	\$ 9,202,532	\$ 8,196,103
Cash paid to suppliers and employees	<u>(8,227,672)</u>	<u>(8,139,375)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>974,860</u>	<u>56,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,120)	(45,698)
Purchase of investments	(7,156)	-
Proceeds from sale of investments	-	445,715
Loans to affiliates	<u>182,756</u>	<u>(175,711)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>168,480</u>	<u>224,306</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	39,246
Curtailement of long-term debt	<u>(32,705)</u>	<u>(29,901)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(32,705)</u>	<u>9,345</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,110,635	290,379
Cash and cash equivalents - beginning of year	<u>597,768</u>	<u>307,389</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,708,403</u>	<u>\$ 597,768</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
	\$ 558,980	\$ 355,450
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	109,244	161,503
Unrealized gains on investments	-	1,397
(Increase) decrease in		
Grant receivables	162,615	(293,229)
Trade receivables	27,265	(14,805)
Income taxes receivable	-	11,768
Work in progress	(50,649)	(136,451)
Inventory	(4,810)	(17,038)
Inventory of real estate	505,608	(246,367)
Increase (decrease) in		
Accounts payable	(300,573)	154,225
Advanced grants	(50,000)	60,000
Due to Grantors	(5,283)	31,063
Accumulated vacation	22,463	(10,788)
	<u>22,463</u>	<u>(10,788)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 974,860</u>	<u>\$ 56,728</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ElderHomes Corporation dba project:HOMES (the "Corporation") is a nonprofit community development corporation whose mission is "Changing lives and improving neighborhoods, one home at a time." The Corporation helps low-income, elderly and disabled individuals of all ages live safely and independently in their own homes by offering nearly every possible home repair, accessibility modification and construction service throughout greater Richmond and the Tri-Cities areas of Virginia.

The Corporation is the only nonprofit agency in the region that provides a full circle of housing services ranging from raking leaves to performing minor home repairs and major home rehabilitations to constructing new EarthCraft certified homes and developing multifamily apartment communities for low-income seniors. Within the service circle is a distinctive triangle of home repair programs that are performed by trained staff and volunteers. They include weatherizing homes for energy efficiency and performing structural home rehabilitations with public funds. The privately funded Renew Crew volunteer program makes safety repairs and accessibility improvements including building wheelchair ramps. By working together, these three programs achieve maximum benefit for the clients they serve by combining their services and leveraging their funding streams for the repairs they complete.

To further their mission, the Corporation's Neighborhood Revitalization division builds EarthCraft certified homes and rehabilitates blighted homes in historic Richmond neighborhoods as well as provides safe and secure multifamily apartment communities for low-income seniors. The Corporation's social enterprise, Conservation Strategies, sells energy conservation materials to the public and private sectors. Income from Conservation Strategies and home sales helps fund the Corporation's Renew Crew volunteer services and other programs.

ElderHomes Corporation dba project:HOMES has six wholly owned subsidiaries, Conservation Strategies, Inc., Elder Properties, Inc., William Byrd II, L.P., Elder Properties II, Inc., Elder Properties III, Inc., and project:HOMES Properties II, LLC, which hold general partnership interests in limited partnerships which develop low-income housing.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated.

Financial Statement Presentation

The Corporation applies Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Corporation 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. The Corporation had no permanently restricted net assets at June 30, 2016 and 2015.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE A - NATURE OF BUSINESS AND SUMMARY SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

The Corporation applies FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. FASB ASC 820 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

- Level 1 - Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 - Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs
- Level 3 - Valuations unobservable in the marketplace at the measurement date

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 disclosures. Accordingly, actual results could vary from the estimates that were used.

Income Taxes

ElderHomes Corporation dba project:HOMES is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Corporation's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBTI). The Association has recognized no uncertain tax positions for the year ended June 30, 2016. The Association is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Consolidated Schedules of Expenditures of Federal and Other Awards

The accompanying Consolidated Supplemental Schedules of Expenditures of Federal and Other Awards are prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Consolidated Supplemental Schedule of Expenditures of Federal and Other Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Cash and Cash Equivalents

Cash and cash equivalents consist of a regular checking account and invested funds that can be converted to cash within three months.

At June 30, 2016 and 2015, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At June 30, 2016, the Corporation maintained bank accounts in one financial institution with deposits totaling \$1,603,728 in excess of FDIC coverage. At June 30, 2015, the Corporation had deposits totaling \$327,795 in excess of FDIC coverage.

Investments

Investments are stated at fair value with unrealized and realized gains and losses being recorded in the accompanying consolidated statement of activities.

Inventory

The Corporation values inventory at the lower of cost or market on the first in-first out method.

Property and Equipment

The Corporation capitalizes property and equipment with costs of \$5,000 or greater. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value on the date of donation. Depreciation is computed using the straight-line method over the assets' useful lives of 5-30 years.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE A - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grants

All programs have been reported for the twelve-month periods ended June 30, 2016 and 2015. The contract periods covered in this report are as follows for the major funding sources.

Virginia Department of Housing and Community Development:

Weatherization	July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015
LIHEAP	October 1, 2015 to September 30, 2016 and October 1, 2014 to September 30, 2015

City of Richmond:

Residential Rehabilitation	July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015
Neighborhood Assistance	July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015

County of Chesterfield:

Comprehensive Housing Rehabilitation	July 1, 2015 to June 30, 2016 and July 1, 2014 to June 30, 2015
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County of Henrico:

Residential Rehabilitation	October 1, 2015 to September 30, 2016 and October 1, 2014 to September 30, 2015
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NOTE B - FUNDING AND CONTRIBUTIONS

The major federal and state funding sources for the Corporation are listed in the Supplemental Consolidated Schedules of Expenditures of Federal and Other Awards. The receivables recorded represent grant revenues earned but not received and appropriations earned but unpaid from the government entities in the Corporation's service region as of the end of the year.

NOTE C - PENSION PLAN

The Corporation sponsors a defined contribution pension plan covering all employees who are at least twenty-one years old and have been employed by the Corporation for more than one year. The Corporation's contributions and costs were determined as four percent of covered employees' compensation and totaled \$56,914 and \$56,884 and for the years ended June 30, 2016 and 2015, respectively.

NOTE D - CONTINGENT LIABILITIES

Amounts received or receivable from grants are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Corporation expects such amounts, if any, to be immaterial.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE E - FAIR VALUE MEASUREMENTS

The Corporation measured the fair value of investments at June 30, 2016 and 2015 using level 2 inputs under the cost approach as summarized below:

<u>June 30, 2016</u>	<u>Cost</u>	<u>Fair Market Value</u>
Partnerships (Level 2)	<u>\$ 709,551</u>	<u>\$ 709,551</u>
<u>June 30, 2015</u>	<u>Cost</u>	<u>Fair Market Value</u>
Partnerships (Level 2)	<u>\$ 709,501</u>	<u>\$ 709,501</u>

NOTE F - INVESTMENT IN SUBSIDIARIES AND RELATED PARTY TRANSACTIONS

The Corporation has six wholly owned subsidiaries, Conservation Strategies, Inc., Elder Properties, Inc., William Byrd II, L.P., Elder Properties II, Inc., Elder Properties III, Inc., and project:HOMES Properties II, LLC, which hold general partnership interests in limited partnerships which develop low-income housing. The Corporation's share of the liabilities of these partnerships approximated \$1,491,707 and \$1,042,048 at June 30, 2016 and 2015, respectively, for which the Corporation is contingently liable. Management believes that the assets of these partnerships are sufficient to satisfy the debt of the partnerships.

NOTE G - LINE OF CREDIT

The Corporation had available an unsecured line of credit totaling \$950,000 carrying interest at the higher of 4% or prime plus .25% at June 30, 2016 and 2015. Borrowings on the line of credit totaled \$0 at June 30, 2016 and 2015, respectively.

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

JUNE 30, 2016 AND 2015

NOTE H - LONG-TERM DEBT

Long-term debt at June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Note payable at 4.50% interest in monthly installments of \$599, maturing February 5, 2021, secured by a vehicle	\$ 29,671	\$ 35,382
Mortgage payable at 3.80% interest in monthly installments of \$4,189, maturing January 5, 2017, secured by a building with a net book value of \$638,156	587,583	614,577
Unsecured advance from Virginia Housing Development Authority with no stated interest, forgiven 5% annually beginning on the twenty-first anniversary of the note, June 30, 2027.	<u>433,488</u>	<u>433,488</u>
	1,050,742	1,083,447
Less current maturities	<u>593,563</u>	<u>32,717</u>
	<u>\$ 457,179</u>	<u>\$ 1,050,730</u>

Principal payments due over the next five years, including unsecured advance to be forgiven, are as follows:

<u>Year</u>	
2017	\$ 593,563
2018	6,255
2019	6,542
2020	6,842
2021	<u>4,052</u>
	617,254
Unsecured advance to be forgiven	<u>433,488</u>
	<u>\$ 1,050,742</u>

NOTE I - TEMPORARILY RESTRICTED FUNDS

Temporarily restricted funds at June 30, 2016 and 2015 consist of funds designated by the Southeast Energy Alliance, the Richmond Regional Energy Alliance, and the Volunteer Services Program.

NOTE J - SUBSEQUENT EVENT

In the preparation of its consolidated financial statements, the Corporation considered subsequent events through October 5, 2016, which was the date the financial statements were available to be issued.



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries (the "Corporation"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 5, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
October 5, 2016



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
ElderHomes Corporation dba project:HOMES and Subsidiaries
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited ElderHomes Corporation dba project:HOMES (a nonprofit organization) and Subsidiaries' (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2016. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying consolidated schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
October 5, 2016

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED SCHEDULE OF EXPENDITURES
OF FEDERAL AND OTHER AWARDS

YEAR ENDED JUNE 30, 2016

Grant Source	Grant Name	Federal CFDA Number	Pass-Through Entity
Department of Energy	LIHEAP	93.568	VDHCD
	Weatherization	81.042	VDHCD
	State Energy Program	81.041	Virginia Department of Mines, Minerals and Energy - Southeast Energy Alliance
Department of Housing and Urban Development	Residential Rehabilitation	14.239	City of Richmond
	Residential Rehabilitation	14.218	County of Henrico
	Residential Rehabilitation	14.239	County of Henrico
	Residential Rehabilitation	14.218	City of Richmond
	Comprehensive Housing Rehabilitation	14.239	County of Chesterfield
	Neighborhood Assistance	14.228	City of Richmond
	Residential Rehabilitation	14.218	City of Colonial Heights
	Residential Rehabilitation	14.218	City of Petersburg
	Residential Rehabilitation	14.218	County of Chesterfield
	Other	General Funds	N/A
	Volunteer Services Program contributions:		
	Foundations	N/A	
	Corporations	N/A	
	Individuals and churches	N/A	
	Virginia Housing Development Authority	N/A	
	Richmond Regional Energy Alliance	N/A	

See Independent Auditor's Report and Notes to Financial Statements

Temporarily Restricted Fund Balance July 1, 2015	Awards Received				Temporarily Restricted Fund Balance June 30, 2016
	Revenues		Expenditures		
	Federal	State/ Local	Federal	State/ Local	
\$ -	\$ 1,527,862	\$ -	\$ 1,527,862	\$ -	\$ -
-	304,089	-	304,089	-	-
1,026	38,000	-	634	-	38,392
-	895,683	-	895,683	-	-
-	687,947	-	687,947	-	-
-	296,066	-	296,066	-	-
-	400,274	-	400,274	-	-
-	196,240	-	196,240	-	-
-	107,029	-	107,029	-	-
-	74,302	-	74,302	-	-
-	144,400	-	144,400	-	-
-	199,570	-	199,570	-	-
-	-	23,406	-	23,406	-
192,028	-	413,983	-	219,224	386,787
-	-	108,470	-	108,470	-
-	-	38,305	-	38,305	-
-	-	4,175	-	4,175	-
21,349	-	66,551	-	49,176	38,724
<u>\$ 214,403</u>	<u>\$ 4,871,462</u>	<u>\$ 654,890</u>	<u>\$ 4,834,096</u>	<u>\$ 442,756</u>	<u>\$ 463,903</u>

See Independent Auditor's Report and Notes to Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES

SUPPLEMENTAL CONSOLIDATED SCHEDULE OF EXPENDITURES
OF FEDERAL AND OTHER AWARDS

YEAR ENDED JUNE 30, 2015

<u>Grant Source</u>	<u>Grant Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	
Department of Energy	LIHEAP	93.568	VDHCD	
	Weatherization	81.042	VDHCD	
	State Energy Program	81.041	Virginia Department of Mines, Minerals and Energy - Southeast Energy Alliance	
Department of Housing and Urban Development	Residential Rehabilitation	14.239	City of Richmond	
	Residential Rehabilitation	14.218	County of Henrico	
	Residential Rehabilitation	14.239	County of Henrico	
	Residential Rehabilitation	14.218	City of Richmond	
	Comprehensive Housing Rehabilitation	14.239	County of Chesterfield	
	Neighborhood Assistance	14.228	City of Richmond	
	Neighborhood Assistance	14.228	County of Henrico	
	Residential Rehabilitation	14.218	City of Colonial Heights	
	Residential Rehabilitation	14.218	City of Petersburg	
	Rehabilitation	14.218	City of Hopewell	
	Capacity Building	14.252	Local Initiative Support Corporation	
	Other	General Funds	N/A	State of Virginia
		Volunteer Services Program contributions:		
	Foundations	N/A		
	Corporations	N/A		
	Individuals and churches	N/A		
	Virginia Housing Development Authority	N/A		
	Altria	N/A		
	Richmond Regional Energy Alliance	N/A		

See Independent Auditor's Report and Notes to Financial Statements

Temporarily Restricted Fund Balance July 1, 2014	Awards Received				Temporarily Restricted Fund Balance June 30, 2015
	Revenues		Expenditures		
	Federal	State/ Local	Federal	State/ Local	
\$ -	\$ 1,803,718	\$ -	\$ 1,803,718	\$ -	\$ -
-	303,002	-	303,002	-	-
1,002	39,706	-	39,682	-	1,026
-	452,697	-	452,697	-	-
-	636,682	-	636,682	-	-
-	351,686	-	351,686	-	-
-	482,548	-	482,548	-	-
-	317,231	-	317,231	-	-
-	243,761	-	243,761	-	-
-	13,045	-	13,045	-	-
-	63,490	-	63,490	-	-
-	141,822	-	141,822	-	-
-	19,964	-	19,964	-	-
-	75,000	-	75,000	-	-
-	-	23,406	-	23,406	-
170,322	-	133,752	-	112,046	192,028
-	-	201,221	-	201,221	-
-	-	44,127	-	44,127	-
-	-	49,453	-	49,453	-
-	-	150,000	-	150,000	-
37,685	-	71,764	-	88,100	21,349
<u>\$ 209,009</u>	<u>\$ 4,944,352</u>	<u>\$ 673,723</u>	<u>\$ 4,944,328</u>	<u>\$ 668,353</u>	<u>\$ 214,403</u>

See Independent Auditor's Report and Notes to Financial Statements

ELDERHOMES CORPORATION dba project:HOMES AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Summary of Audit of Findings

1. The auditor's report expresses an unmodified opinion on whether the consolidated financial statements of ElderHomes Corporation dba project:HOMES and Subsidiaries were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of ElderHomes Corporation dba project:HOMES and Subsidiaries were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for ElderHomes Corporation dba project:HOMES and Subsidiaries expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(1) are reported in this Schedule.
7. The program tested as a major program was:

<u>2016</u>	<u>CFDA #</u>
Community Development Block Grant/ Entitlement Grants	14.218
8. The threshold for distinguishing Types A and B was \$750,000.
9. ElderHomes Corporation dba project:HOMES and Subsidiaries was determined to be a low risk auditee.

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None