

**HOMEOWNERSHIP CENTER OF TACOMA**

**FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2010 AND 2009**



# HOMEOWNERSHIP CENTER OF TACOMA

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## INDEPENDENT AUDITOR'S REPORT

July 11, 2011

To the Board of Directors of  
Homeownership Center of Tacoma  
Tacoma, Washington

I have audited the accompanying statement of financial position of Homeownership Center of Tacoma (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeownership Center of Tacoma as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 11, 2011, on my consideration of Homeownership Center of Tacoma's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 important for assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Homeownership Center of Tacoma taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Mary Jane Dubbs  
Certified Public Accountant

**HOMEOWNERSHIP CENTER OF TACOMA**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	68,636	22,432
Prepaid and escrow deposits	2,832	8,219
Grants Receivable	38,250	-
Construction in process	232,934	624,216
Real estate held for sale	223,361	269,599
Total current assets	566,013	924,466
Property and equipment, net of accumulated depreciation	124,369	131,958
Other Assets		
Notes receivable	1,454,777	1,457,952
Land held for development	1,096,611	1,047,449
Total other assets	2,551,388	2,505,401
<b>TOTAL ASSETS</b>	3,241,770	3,561,825
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	4,234	2,028
Accrued expenses	13,220	17,295
Deferred revenue	7,844	86,765
Notes payable	995,772	1,066,659
Current portion of long-term debt	5,688	5,292
Total current liabilities	1,026,758	1,178,039
Long term debt net of current portion	2,698,849	2,704,168
<b>TOTAL LIABILITIES</b>	3,725,607	3,882,207
Net assets		
Unrestricted	(1,105,491)	(1,000,382)
Permanently restricted	621,654	680,000
<b>TOTAL NET ASSETS</b>	(483,837)	(320,382)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	3,241,770	3,561,825

**HOMEOWNERSHIP CENTER OF TACOMA  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			2009		
	Unrestricted	Permanently Restricted	Total	Unrestricted	Permanently Restricted	Total
<b>SUPPORT AND OTHER REVENUES</b>						
Support:						
Grants	591,374	-	591,374	326,386	200,000	526,386
Contributions	5,600	-	5,600	600	-	600
Property Sales	1,674,000	-	1,674,000	876,500	-	876,500
Developer Fees	222,000	-	222,000	80,000	-	80,000
Forgiveness of debt	20,000	-	20,000	-	-	-
Other revenue:						
Other Income	4,129	-	4,129	1,430	-	1,430
Reclassification:						
Fulfilled restrictions	58,346	(58,346)	-	-	-	-
<b>TOTAL SUPPORT AND OTHER REVENUES</b>	<b>2,575,449</b>	<b>(58,346)</b>	<b>2,517,103</b>	<b>1,284,916</b>	<b>200,000</b>	<b>1,484,916</b>
<b>EXPENSES</b>						
Housing Development	2,281,855	-	2,281,855	1,152,133	-	1,152,133
Mortgage Lending	53,890	-	53,890	56,204	-	56,204
General and Administrative	344,813	-	344,813	359,119	-	359,119
<b>TOTAL EXPENSES</b>	<b>2,680,558</b>	<b>-</b>	<b>2,680,558</b>	<b>1,567,456</b>	<b>-</b>	<b>1,567,456</b>
<b>CHANGES IN NET ASSETS</b>	<b>(105,109)</b>	<b>(58,346)</b>	<b>(163,455)</b>	<b>(282,540)</b>	<b>200,000</b>	<b>(82,540)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(1,000,382)</b>	<b>680,000</b>	<b>(320,382)</b>	<b>(717,842)</b>	<b>480,000</b>	<b>(237,842)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>(1,105,491)</b>	<b>621,654</b>	<b>(483,837)</b>	<b>(1,000,382)</b>	<b>680,000</b>	<b>(320,382)</b>

**HOMEOWNERSHIP CENTER OF TACOMA  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and grants	483,932	387,285
Cash received from home sales	165,732	168,146
Cash paid to suppliers and employees	(380,315)	(418,089)
Cash paid to home developing	(163,657)	(334,060)
Interest paid	(7,281)	(7,833)
	<u>98,411</u>	<u>(204,551)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment of notes by homeowners	28,175	36,450
Disbursements of notes to homeowners	(25,000)	(91,500)
Land held for development	(49,162)	(74,924)
Purchase of Equipment	-	(12,643)
	<u>(45,987)</u>	<u>(142,617)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from grant restricted for home reinvestment	-	200,000
Proceeds from construction loans	-	156,605
Payment on construction loans	(1,297)	(1,701)
Payment on long-term borrowings	(4,923)	(4,422)
	<u>(6,220)</u>	<u>350,482</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	46,204	3,314
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>22,432</u>	<u>19,118</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>68,636</u></u>	<u><u>22,432</u></u>
<b>RECONCILIATION OF NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Increase (decrease) in unrestricted net assets	(163,455)	(82,540)
Adjustments to reconcile net assets to net cash provided (used) by operating activities:		
Grant restricted for home reinvestment	-	(200,000)
Depreciation	7,589	7,588
Forgiveness of debt	(20,000)	-
(Increase) decrease in:		
Grants receivable	(38,250)	-
Prepaid and escrow deposits	5,387	(1,474)
Construction in process and Real Estate held for Sale	387,930	29,719
Increase (decrease) in:		
Accounts payable	2,206	(11,075)
Deferred revenue	(78,921)	58,869
Accrued expenses	(4,075)	(5,638)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>98,411</u></u>	<u><u>(204,551)</u></u>
<b>Supplemental Disclosures</b>		
<b>Schedule of Noncash Investing and Financing Transactions</b>		
Acquisition of mortgaged homes	1,458,678	169,810
Mortgage notes issued	(1,458,678)	(169,810)
Cash paid for purchases	-	-
	<u>-</u>	<u>-</u>
Note reduction	(1,529,565)	(710,055)
Notes satisfied by sold properties	1,508,268	708,354
Forgiveness of debt	20,000	-
Cash paid on construction loans	(1,297)	(1,701)
	<u><u>(1,297)</u></u>	<u><u>(1,701)</u></u>

**HOMEOWNERSHIP CENTER OF TACOMA  
NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History of Organization

Homeownership Center of Tacoma (the Center) is a Washington non-for-profit organization established in Washington in 1993 to foster neighborhood revitalization through homeownership.

Nature of Activities

Its primary objectives are to construct and rehabilitate single family unit homes and to sell them to first-time homebuyers in selected target neighborhoods of Tacoma, Washington. The Center also provides a full range of homeownership counseling and buyer assistance to help low and moderate-income homebuyers become successful in obtaining homes.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method based on an estimated useful life.

Accounting for Grants

Cost reimbursement grant revenues are recorded as revenue at the time allowable expenses are incurred. Amounts due for reimbursement of allowable costs but not received are recorded as a receivable.

**HOMEOWNERSHIP CENTER OF TACOMA**  
**NOTES TO FINANCIAL STATEMENTS**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. The Center had no unrelated business activities. The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE B – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following programs and supporting services are included in the accompanying financial statements:

Program Services:

The Center offers newly constructed or rehabilitated homes to modest-income home buyers where the monthly payment is tailored to the household's income.

Management and General:

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

NOTE C – CONSTRUCTION IN PROCESS AND REAL ESTATE HELD FOR SALE

Construction in process consists of costs incurred on construction or rehabilitation projects that have not been completed and sold at year-end. At June 30, 2010, construction in process consisted of one property while at June 30, 2009, it consisted of three properties.

Real held for sale consist of costs of construction or rehabilitation projects that are completed and ready for sale at year-end. At June 30, 2010, real estate held for sale consisted of one property while at June 30, 2009, it also consisted of one property.

**HOMEOWNERSHIP CENTER OF TACOMA  
NOTES TO FINANCIAL STATEMENTS**

NOTE D – NOTES RECEIVABLE

Notes receivable are comprised of second and third mortgages issued in connection with the sale of houses. These notes are long-term, since scheduled repayment does not begin until the first mortgage is paid. Notes earn no interest, and are secured by second and third liens on the property. No allowance for loan loss has been reserved at June 30, 2010. Bad debts are charged to current operations on the year receivable is impaired.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	21,381	21,381
Building	99,359	99,359
Land	<u>42,173</u>	<u>42,173</u>
	162,913	162,913
Less accumulated depreciation	<u>(38,544)</u>	<u>(30,955)</u>
Net property and equipment	<u>124,369</u>	<u>131,958</u>

NOTE F – NOTES PAYABLE

The Center utilizes construction loans from banks. The notes are collateralized by the construction in progress and bear interests at 6.75% to 7%, interest due monthly, and the principal is due within one year after the sale of the houses.

The activity with respect to bank notes payable for the year ended June 30, 2010 is as follows:

Mortgages, June 30, 2009	\$ 1,066,659	
Principal Reduction	<u>( 514,957)</u>	
Mortgages, June 30, 2010	<u>551,702</u>	

The Center acquired financing through the federal Neighborhood Stabilization Program (NSP) for the acquisition of bank foreclosed real estate and reselling it to low-income first-time homebuyers. The notes are collateralized by real estate purchased and do not bear interest. The program is under a loan agreement with the Tacoma Community Redevelopment Authority which will terminate on June 30, 2012. Maximum credit available as of June 30, 2010 was \$1,500,890.

The activity with respect to the NSP loans for the year ended June 30, 2010 is as follows:

Mortgages for 6 property purchases	\$ 1,028,678	
Payment for 3 properties sold	<u>( 574,608)</u>	
Debt forgiveness on property losses	<u>( 10,000)</u>	
Mortgages, June 30, 2010	<u>444,070</u>	

**HOMEOWNERSHIP CENTER OF TACOMA  
NOTES TO FINANCIAL STATEMENTS**

NOTE G – LONG TERM DEBT

Long term debt at June 30 is as follows:

	<u>2010</u>	<u>2009</u>
State of Washington, Department of Community Development Affordable Housing Program - No- interest revolving loan fund for development including constructions and rehabilitation cost in homeownership program. All loans due within 45 days of program discontinuance.		
Due January 1, 2045 renewable in five year increments	600,000	600,000
Due June 30, 2029	460,000	460,000
Due June 20, 2030	460,000	460,000
Due June 30, 2032	460,000	460,000
City of Tacoma/U.S. Department of Housing and Urban Development HOME Investment Partnership Agreement – No-interest revolving fund for the development including construction and rehabilitation costs in homeownership program, secured by deed of trust and promissory note from homebuyer		
Due January 1, 2045	626,678	626,678
7.24% bank note secured by office building, monthly payment of interest and principal of \$1,017, with balance due on August 2014	<u>97,859</u>	<u>102,782</u>
Total	2,704,537	2,709,460
Less: Current portion	<u>( 5,688)</u>	<u>( 5,292)</u>
Net long-term debt	<u>2,698,849</u>	<u>2,704,168</u>

Future maturities of the notes for years ending June 30 are as follows:

2011	5,688
2012	6,114
2013	6,572
2014	7,064
2015	72,421
Thereafter	<u>2,606,678</u>
Total	<u>2,704,537</u>

Under the HOME Investment Partnership Agreement, the Center shall take such appropriate steps as may be necessary to establish a Revolving Loan Fund for the purpose of receiving and accounting for the funds to be deposited therein. Repayment of principal and interest on loans funded from such funds, the proceeds from the sale of property and any income derived from the deposit, investment or use of such funds shall be deposited in the Revolving Loan Fund. The Center did not maintain such funds.

**HOMEOWNERSHIP CENTER OF TACOMA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE H – RESTRICTED ASSETS**

Permanently restricted net assets represents grant funds which are required to be held in a revolving loan fund. The funds are to be used for second mortgages on homes sold. The Center had no temporarily restricted net assets at June 30, 2010 and 2009.

**NOTE I – OPERATING LEASE**

The Center has an operating lease for office equipment which expires in May 2012 and requires payments totaling \$5,862 annually. Rental expense totaled \$10,888 and \$7,119 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments required under the operating lease for years ending June 30 are:

2011	5,862
2012	<u>5,374</u>
	<u>11,236</u>

**NOTE J – RETIREMENT PLAN**

The Center maintains a 403(b) deferred compensation plan for its employees, whereby eligible employees may defer a portion of their salary. The Center does not contribute to the plan.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 2, 2011, which is the date the financial statements were available to be issued. There were no subsequent events that are material to the financial statements.

## **SUPPLEMENTARY INFORMATION**

**HOMEOWNERSHIP CENTER OF TACOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	<u>Federal CFDA</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Passed through City of Tacoma, Washington: HOME: Home Funds Phase 13	14.239		326,386
Passed through State of Washington Community Trade and Economic Development: HOME: Loan balance	14.239		626,678
Passed through City of Tacoma, Washington Community Development Block Grants Neighborhood Stabilization Program	14.228		<u>1,432,037</u>
Total Federal Awards			<u><u>2,385,101</u></u>

**HOMEOWNERSHIP CENTER OF TACOMA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Homeownership Center of Tacoma and is presented on the accrual basis of accounting. 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*.

NOTE B – NEIGHBORHOOD STABILIZATION PROGRAM

The neighborhood stabilization program (CFDA 14.228) is a loan agreement with the Tacoma Community Redevelopment Authority (TCRA) for the purpose of acquiring foreclosed properties and financing second and third mortgages of buyers. The amount reported in the SEFA is the total amount of funds spent to purchase six properties and financing buyers' subordinate mortgages. The program raised \$1,000,000 from the resale of properties during the fiscal year which was used to repay the loans. The loan agreement has available credit of \$1,500,897 as of June 30, 2010.

**HOMEOWNERSHIP CENTER OF TACOMA**  
**SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE**  
**YEAR ENDED JUNE 30, 2010**

	<b>FUNDING SOURCE</b>						<b>Total</b>
	<b>New Construction</b>	<b>Rehabilitation Construction</b>	<b>State of Washington</b>	<b>Construction Loans</b>	<b>Neighborhood Stabilization</b>	<b>Other</b>	
Revenues	-	406,442	116,398	505,530	1,343,359	145,374	2,517,103
Expenses							
Housing development	49,377	200,110	116,398	505,530	1,210,440	200,000	2,281,855
Mortgage lending	-	44,540	3,155	4,757	1,438	-	53,890
General and administrative							-
Salaries and wages						248,171	248,171
Employee benefits						16,577	16,577
Payroll taxes						26,376	26,376
Professional services						8,250	8,250
Office expense						13,416	13,416
Telephone						4,421	4,421
Occupancy						12,479	12,479
Interest expense						7,281	7,281
Miscellaneous						253	253
Depreciation						7,589	7,589
Total expenses	<u>49,377</u>	<u>244,650</u>	<u>119,553</u>	<u>510,287</u>	<u>1,211,878</u>	<u>544,813</u>	<u>2,680,558</u>
Increase in Net Assets	<u>(49,377)</u>	<u>161,792</u>	<u>(3,155)</u>	<u>(4,757)</u>	<u>131,481</u>	<u>(399,439)</u>	<u>(163,455)</u>

**HOMEOWNERSHIP CENTER OF TACOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Homeownership Center of Tacoma.
2. No reportable conditions relating to the audit of the financial statements were disclosed.
3. No instance of noncompliance material to the financial statements of the Homeownership Center of Tacoma was disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the Homeownership Center of Tacoma expresses an unqualified opinion on all major federal programs.
5. There was one audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.
6. The programs tested as a major programs included: Housing and Urban Development HOME Funds CFDA 14.239, and NSP Funds CFDA 14.228.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Homeownership Center of Tacoma did qualify as a low-risk auditee.

**B. FINDINGS- FINANCIAL STATEMENTS AUDIT**

None

**HOMEOWNERSHIP CENTER OF TACOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Neighborhood Stabilization Program

**Questioned  
Costs**

2010-1	Neighborhood Stabilization Program; CFDA No. 14.228 –	\$ 7,000
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*Condition and Criteria:* The agreement states that the subsidy limit for the developer shall be the cost to acquire and rehabilitate the house, less the sales price of the house and down payment assistance to homebuyer. The program has not complied with these requirements.

*Context:* The Center claimed subsidy over costs.

*Cause:* Earnest monies received from homebuyers were not included in the computation of subsidy claim from the program.

*Potential Effect:* \$7,000 of costs reimbursements from the Neighborhood Rehabilitation Program exceed actual amounts.

*Auditor's Recommendations:* Remind program staff to monitor costs and income received by property to have a proper accounting of reimbursable costs.

*Grantee Response:* The Center will institute and follow effective procedures to ensure proper billing and compliance with subsidy limits.

**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**

July 11, 2011

To the Board of Directors of  
Homeownership Center of Tacoma  
Tacoma, Washington

I have audited the financial statements of Homeownership Center of Tacoma (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued my report thereon dated July 11, 2011. I conducted my 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**

In planning and performing my audit, I considered Homeownership Center of Tacoma's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Homeownership Center of Tacoma's internal control over financial reporting. Accordingly, I 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, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented or detected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control in financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting as items 2010-1. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Homeownership Center of Tacoma's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1.

Homeownership Center of Tacoma's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Homeownership Center of Tacoma's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.

Mary Jane Dubbs  
Certified Public Accountant

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

July 11, 2011

To the Board of Directors of  
Homeownership Center of Tacoma  
Tacoma, Washington

**Compliance**

I have audited Homeownership Center of Tacoma's (a nonprofit organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Homeownership Center of Tacoma's major federal programs for the year ended June 30, 2010. Homeownership Center of Tacoma's major federal programs are 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 each of its major federal programs is the responsibility of Homeownership Center of Tacoma's management. My responsibility is to express an opinion on Homeownership Center of Tacoma's compliance based on my audit.

I conducted my 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Homeownership Center of Tacoma's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Homeownership Center of Tacoma's compliance with those requirements.

In my opinion, Homeownership Center of Tacoma 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 for the year ended June 30, 2010. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

**Internal Control Over Compliance**

Management of Homeownership Center of Tacoma is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Homeownership Center of Tacoma's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my 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 internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Homeownership Center of Tacoma'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.

My 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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. 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.

Homeownership Center of Tacoma's responses to the findings identified in my report are described in the accompanying schedule of findings and questioned costs. I did not audit Homeownership Center's responses and accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and 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.

Mary Jane Dubbs  
Certified Public Accountant