B34401

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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May 22, 2009

Board of Directors
Hope House, Inc.
1115 Garden St.
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Leonard J. Andorfer & Co., LLP, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Hope House, Inc., as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The management letter contains three comments.

STATE BOARD OF ACCOUNTS

HOPE HOUSE, INC.

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2008 and 2007

CONTENTS

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
260-423-9405

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope House, Inc.
Fort Wayne, Indiana

We have audited the accompanying statements of financial position of Hope House, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from Hope House, Inc.'s June 30, 2007 financial statements and, in our report dated August 20, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope House, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Leonard J. Andorfer & Co LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

October 15, 2008

HOPE HOUSE, INC.

Statements of Financial Position

ASSETS	June 30 2008	June 30 2007
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	$ 142,209	$ 107,624
Accounts receivable - residents		
Residents	254	106
Donations	154	-
Grants receivable	36,427	45,228
Prepaid expenses	7,542	7,180
Total Current Assets	186,586	160,138
INVESTMENTS - COMMUNITY FOUNDATION OF GREATER FORT WAYNE	15,763	17,149
PROPERTY AND EQUIPMENT		
Property and equipment	280,352	267,670
Less: accumulated depreciation	(112,340)	(102,199)
Total Property and Equipment (Net)	168,012	165,471
TOTAL ASSETS	$ 370,361	$ 342,758

(Continued)

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Financial Position (Continued)

LIABILITIES AND NET ASSETS	June 30 2008	June 30 2007
CURRENT LIABILITIES		
Current maturities of noncurrent liabilities	$ -	$ 1,003
Resident deposits and expenses	170	300
Accounts payable	11,718	11,108
Accrued payroll	9,527	6,249
Total Current Liabilities	21,415	18,660
NONCURRENT LIABILITIES		
Mortgage payable	-	30,439
Less: current maturities	-	1,003
Total Noncurrent Liabilities	-	29,436
NET ASSETS		
Unrestricted	317,015	243,575
Temporarily restricted	18,000	37,156
Permanently restricted	13,931	13,931
Total Net Assets	348,946	294,662
TOTAL LIABILITIES AND NET ASSETS	$ 370,361	$ 342,758

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Activities
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	Unrestricted
REVENUE, GAINS AND OTHER SUPPORT	
Support	
Federal Grant - Housing and Urban Development	$ 125,575
Emergency Shelter Grants	50,507
Other grants	1,381
State grants	3,620
Drug and Alcohol Consortium	14,904
Foundations	23,753
United Way	20,000
Fundraising events	
Proceeds	737
Less: cost of direct benefits to donors	
Contributions	16,066
In-kind	
Miscellaneous	7,039
Revenue	
Rental and supportive housing revenue	75,284
Interest income	4,319
Net unrealized gain (loss) on investments	(1,386)
Net assets released from restrictions	
Restrictions satisfied by payments	45,156
Total Revenue, Gains, Other Support and Net Assets Released from Restrictions	386,955
EXPENSES	
Program services	251,222
Management and general	51,440
Fund raising	10,853
Total Expenses	313,515
CHANGE IN NET ASSETS	73,440
NET ASSETS - BEGINNING OF YEAR	243,575
NET ASSETS - END OF YEAR	$ 317,015

Temporarily Restricted	Permanently Restricted	June 30 2008 Total	June 30 2007 Total
$	$	$ 125,575	$ 134,904
		50,507	45,011
		1,381	1,602
		3,620	3,485
		14,904	17,687
26,000		49,753	75,139
		20,000	19,583
		737	16,283
		-	(2,452)
		16,066	5,554
		-	11,186
		7,039	10,861
		75,284	57,104
		4,319	1,729
		(1,386)	2,133
(45,156)		-	-
(19,156)	-	367,799	399,809
		251,222	263,588
		51,440	38,972
		10,853	11,022
-	-	313,515	313,582
(19,156)	-	54,284	86,227
37,156	13,931	294,662	208,435
$ 18,000	$ 13,931	$ 348,946	$ 294,662

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Functional Expenses
For the Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

	Program Services
Employee Compensation	
Salaries	$ 147,606
Payroll taxes	12,317
Employee benefits	21,272
Total Employee Compensation	181,195
Other Expenses	
Advertising	
Bad debt expense	89
Bank charges	
Consultants	2,595
Counseling	6,463
Dues	
Fundraising expenses	
Groceries and household supplies	12,041
Insurance	8,629
Interest expense	215
Lab fees	3,147
Legal and professional	
Miscellaneous expenses	857
Office expenses	
Payroll processing fees	496
Postage	
Printing	
Repairs and maintenance	4,816
Residential services	629
Staff training	471
Technology	
Transportation	391
Travel	1,894
Utilities	17,152
Total Before Depreciation	241,080
Depreciation expense	10,142
Total Expenses	$ 251,222

Management and General	Fund Raising	Total 2008 Expenses	Total 2007 Expenses
$ 17,660	$ 7,403	$ 172,669	$ 177,671
1,470	620	14,407	16,159
2,538	1,070	24,880	23,756
21,668	9,093	211,956	217,586
1,173		1,173	472
		89	290
		-	358
13,211	1,730	17,536	-
		6,463	3,434
260		260	410
		-	1,193
		12,041	24,359
890		9,519	9,422
		215	2,577
		3,147	2,304
4,000		4,000	3,693
510		1,367	765
2,952		2,952	3,620
58	30	584	-
321		321	561
336		336	368
		4,816	3,241
		629	1,305
		471	1,215
2,976		2,976	7,799
		391	689
		1,894	363
3,085		20,237	19,489
51,440	10,853	303,373	305,513
		10,142	8,069
$ 51,440	$ 10,853	$ 313,515	$ 313,582

The Notes to Financial Statements
are an integral part of the statements.

HOPE HOUSE, INC.

Statements of Cash Flows

	For the Years Ended June 30, 2008	For the Years Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 54,284	$ 86,227
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,142	8,069
Unrealized (gain)loss on investments	1,386	(2,133)
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	(302)	24
Decrease (increase) in grants receivable	8,801	(37,766)
Increase in prepaid expenses	(362)	(449)
Decrease (increase) in deposits	-	875
Increase (decrease) in resident deposits and expenses	(130)	112
Increase in accounts payable	609	124
Increase (decrease) in accrued expenses	3,278	(1,055)
Increase in deferred revenue	-	(387)
Net Cash Provided by Operating Activities	77,706	53,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions	(12,682)	(13,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(30,439)	(922)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,585	38,864
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	107,624	68,760
CASH AND CASH EQUIVALENTS- END OF YEAR	$ 142,209	$ 107,624

The Notes to Financial Statements
are an integral part of the statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities

The mission of Hope House, Inc. is to provide homeless, chemically dependent women of Allen County, Indiana, with opportunities to pursue recovery and self-sufficiency in a healthy, supportive living environment. The prior year financial statements were combined with H. House, Inc., an organization which was established to hold real estate used in Hope House, Inc.; however, during the fiscal year ending June 30, 2008, these entities were combined and now operate as one entity, Hope House, Inc.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Hope House, Inc. and changes therein are classified and reported as follows:

> **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations.
>
> **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Hope House, Inc. and/or the passage of time. 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. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires or is met in the reported period in which the support is recognized.
>
> **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by Hope House, Inc. Generally, the donors of these assets permit Hope House, Inc. to use all or part of the income earned on any related investments for general or specific purposes. The Board of Hope House, Inc. elected to direct endowment funds to the Community Foundation of Greater Fort Wayne (See Note 4).

Financial Statement Presentation - The organization has adopted 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. In addition, the organization is required to present a statement of cash flows.

Promise to Give - Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

Contributions - The organization has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and /or nature of any donor restrictions.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Contributed Services and Gifts in Kind - During the period ended June 30, 2008 and 2007, the values of contributed goods meeting the requirements for recognition in the financial statements were $0 and $11,186, respectively, and have been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the organization's program services.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Uncollectible Accounts Receivable - Management has elected to record bad debts using the direct write-off method. Generally, accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method.

Functional Expenses - Hope House, Inc. allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to multiple functions are allocated by various statistical bases.

Income Taxes - Hope House, Inc. is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution limitation.

Advertising Costs - Advertising and promotional program costs are charged to expense during the period in which they are incurred.

Compensated Absences - The organization's employee base is made up of full-time and part-time employees. No liability for compensated absences has been recorded in the financial statements. Any liability that may exist is deemed immaterial.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Summarized Prior Year Information – The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform with generally accepted accounting principles. This information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2007, from which the comparative information was extracted. Certain amounts in the prior year statements have been reclassified for comparison purposes to conform with the current year presentation.

NOTE 3 – Concentration of Credit Risk

The organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $100,000. Total uninsured cash balances at June 30, 2008 and 2007 were $19,217 and $0, respectively.

NOTE 4 - Grant Receivable

Hope House, Inc. incurs expenses and then submits requests for reimbursement by third-party grantors. The reimbursement requests are reviewed by the grantor, taking into consideration the purpose of the expenditures, the amount of the original grant and the provisions set forth. Grants receivable under these terms amounted to $36,427 and $45,228 as of June 30, 2008 and 2007, respectively.

NOTE 5 - Community Foundation of Greater Fort Wayne

During a prior fiscal year, the Board of Directors decided to contribute their endowment funds to the Community Foundation of Greater Fort Wayne ("The Foundation"). The Foundation has final discretion on the investment and reinvestment of the assets which are held in a pooled fund. Proportional investment earnings, less customary and usual fees, will either be distributed to Hope House or added to the fund principal according to the terms of the agreement dated March 8, 2004.

In accordance with the Statement of Financial Accounting Standards (SFAS) No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others," the total funds transferred by Hope House, Inc. was $13,931. At June 30, 2008 and 2007, these funds have a fair market value of $15,763 and $17,149, respectively.

Additionally, the Foundation holds investment assets with a value of $3,836 and $3,492 at June 30, 2008 and 2007 respectively, for the benefit of the organization for which they have retained variance power. These assets are not recorded as assets of the organization.

NOTE 6 – Mortgage Payable

In connection with a prior year purchase of property at 1115 Garden St., the organization obtained a mortgage. The mortgage, which was secured by the building, was payable to LaSalle Bank, and had a fixed interest rate of 8.50% effective until July 2022. At June 30, 2007, the balance due was $30,439 with a current amount of $1,003. The mortgage was paid in full as of June 30, 2008.

NOTE 7 - Sponsorships

Hope House, Inc. sponsors Genesis Outreach, Inc. for various grant collaborations for the provision of transitional residential client services. The following represents the funds retained by each entity for the fiscal years ended June 30, 2008 and 2007:

June 30, 2008	Hope House	Genesis Outreach
Housing and Urban Development Grant - Transitional Housing Program (H.U.D.)	$ 125,575	$ 62,448
United Way	20,000	-

June 30, 2007	Hope House	Genesis Outreach
Housing and Urban Development Grant - Transitional Housing Program (H.U.D.)	$ 134,904	$ 63,656
United Way	13,000	-

NOTE 8 - Restrictions on Assets

Temporarily restricted net asset are available for the following purposes:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008
Lincoln Foundation - Hanna House	$ 17,484	$	17,484	-
Community Foundation of Greater Fort Wayne - Technology Grant	3,618		3,618	-
Community Foundation of Greater Fort Wayne - General Operating Support	10,000	10,000	10,000	10,000
Allen County Drug and Alcohol Consortium, Inc. - Enhancing Services by Including Families	2,554		2,554	-
Allen County Drug and Alcohol Consortium, Inc. - Enhancing Services by Including Families	3,500		3,500	-
Lutheran Foundation Operational Support		16,000	8,000	8,000
	$ 37,156	$ 26,000	$ 45,156	$ 18,000

LEONARD J. ANDORFER & CO., LLP

Certified Public Accountants

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260-423-9405

Board of Directors and
Management
Hope House, Inc.
1115 Garden Street
Ft Wayne, IN 46802

Board of Directors and Management:

In planning and performing our audit of the financial statements of Hope House, Inc. as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hope House, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Leonard J. Andorfer & Co. LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

October 15, 2008

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
260-423-9405

October 15, 2008

To the Board of Directors
Hope House, Inc.
Fort Wayne, Indiana

In planning and performing our audit of the financial statements of Hope House, Inc. for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. Our audit was not designed to provide assurance on the internal control structure; however, we noted certain matters involving the internal control structure and its operation, and we are submitting our recommendations which are designed to improve operational efficiencies. A list of our comments follows:

Various Policies

It has come to our attention that the organization is lacking several important policies such as a Document Retention Policy, a Whistle Blower Policy and a Disaster Recovery Plan. However, it was also noted that the organization has many of these important policies under development. We recommend that the board continue to develop and implement these important policies.

Invoice Approval Process

According to your procedures, the executive director opens all mail and then forwards the appropriate documents to the accountant. The director is supposed to denote her approval on all invoices by initialing the invoice before the accountant receives the document; however, this is not being done on a consistent basis. We recommend the organization review the policy and see if any changes should be made to improve this process.

Segregation of Duties: Cash Receipts

The employee responsible for handling and depositing cash receipts also reconciles the bank accounts, posts the cash receipts, and maintains the accounts receivable subsidiary. Giving an employee both custodial and record-keeping responsibilities for the same asset creates a significant internal control weakness. While we understand that a complete segregation of duties is impractical in a small office with limited personnel, we believe that some relatively minor changes could be made that would significantly improve controls. We suggest that someone other than the accountant review the deposit summary and make the deposit at the bank.

We believe that the implementation of these recommendations will provide Hope House, Inc. with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the finance committee, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Leonard J. Andorfer & Co. LLP

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Certified Public Accountants

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2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
260-423-9405

October 15, 2008

To the Board of Directors
Hope House, Inc.
Fort Wayne, IN

We have audited the financial statements of Hope House, Inc. for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 2, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented in all material respects in conformity with generally accepted accounting principles of the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Hope House, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Hope House, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the Organization during the year for which there was a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Donated materials are recorded on the basis of fair market value at the date of donation. Fair market value is an elusive concept differing by individual. Amounts recorded this fiscal year appeared reasonable.

Property and equipment useful lives are determined by management to represent actual useful life of the assets. Management has chosen to approximate IRS guidelines for assigned lives but has chosen straight-line depreciation rather than the acceleration offered by the IRS.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2008.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the Board of Directors and management of the Hope House, Inc. and is not intended to be and should not be used by anyone other than these specific parties.

Very truly yours,

Leonard J. Andorfer & Co. LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants