



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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October 6, 2011

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, 2008 to June 30, 2009. 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, 2009, 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.

STATE BOARD OF ACCOUNTS

HOPE HOUSE, INC.
FORT WAYNE, INDIANA
Financial Statements
as of June 30, 2009 and 2008

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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, 2009 and 2008, and the related statements of activities, 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, 2008 financial statements and, in our report dated October 15, 2008, 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, 2009 and 2008, 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
Certified Public Accountants

September 14, 2009

HOPE HOUSE, INC.

Statements of Financial Position

ASSETS	June 30 2009	June 30 2008
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 87,742	\$ 108,818
Accounts receivable - residents		
Residents	266	254
Donations	315	154
Grants receivable	43,787	36,427
Prepaid expenses	<u>18,797</u>	<u>7,542</u>
 Total Current Assets	 150,907	 153,195
 INVESTMENTS	 47,586	 49,154
 PROPERTY AND EQUIPMENT		
Property and equipment	294,807	280,352
Less: accumulated depreciation	(<u>123,447</u>)	(<u>112,340</u>)
 Total Property and Equipment (Net)	 <u>171,360</u>	 <u>168,012</u>
 TOTAL ASSETS	 <u>\$ 369,853</u>	 <u>\$ 370,361</u>

(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 2009	June 30 2008
CURRENT LIABILITIES		
Resident deposits and expenses	\$ 450	\$ 170
Prepaid residential rent	900	-
Accounts payable	8,794	11,718
Accrued payroll	<u>10,767</u>	<u>9,527</u>
Total Current Liabilities and Total Liabilities	20,911	21,415
NET ASSETS		
Unrestricted	320,011	317,015
Temporarily restricted	15,000	18,000
Permanently restricted	<u>13,931</u>	<u>13,931</u>
Total Net Assets	<u>348,942</u>	<u>348,946</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 369,853</u></u>	<u><u>\$ 370,361</u></u>

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

HOPE HOUSE, INC.

Statements of Activities
For the Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30 2009 Total	June 30 2008 Total
REVENUE, GAINS AND OTHER SUPPORT					
Support					
Federal Grant - Housing and Urban Development	\$ 134,906	\$	\$	\$ 134,906	\$ 125,575
Emergency Shelter Grants	57,535			57,535	50,507
Other grants				-	1,381
State grants	12,696			12,696	3,620
Drug and Alcohol Consortium	12,150			12,150	14,904
Foundations	28,725	15,000		43,725	49,753
United Way	19,500			19,500	20,000
Fundraising events					
Proceeds	2,495			2,495	737
Contributions	22,896			22,896	16,066
Miscellaneous	9,880			9,880	7,039
Revenue					
Rental and supportive housing revenue	66,590			66,590	75,284
Interest income	2,724			2,724	4,319
Net unrealized loss on investments	(2,871)			(2,871)	(1,386)
Net assets released from restrictions					
Restrictions satisfied by payments	18,000	(18,000)		-	-
Total Revenue, Gains, Other Support and Net Assets Released from Restrictions	385,226	(3,000)	-	382,226	367,799
EXPENSES					
Program services	308,058			308,058	251,222
Management and general	48,432			48,432	51,440
Fund raising	25,740			25,740	10,853
Total Expenses	382,230	-	-	382,230	313,515
CHANGE IN NET ASSETS	2,996	(3,000)	-	(4)	54,284
NET ASSETS - BEGINNING OF YEAR	317,015	18,000	13,931	348,946	294,662
NET ASSETS - END OF YEAR	<u>\$ 320,011</u>	<u>\$ 15,000</u>	<u>\$ 13,931</u>	<u>\$ 348,942</u>	<u>\$ 348,946</u>

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, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	Program Services	Management and General	Fund Raising	Total 2009 Expenses	Total 2008 Expenses
Employee Compensation					
Salaries	\$ 195,592	\$ 24,570	\$ 20,468	\$ 240,630	\$ 172,669
Payroll taxes	16,625	2,088	1,740	20,453	14,407
Employee benefits	<u>28,676</u>	<u>3,602</u>	<u>3,001</u>	<u>35,279</u>	<u>24,880</u>
Total Employee Compensation	240,893	30,260	25,209	296,362	211,956
Other Expenses					
Advertising		2,090		2,090	1,173
Bad debt expense	396			396	89
Consultants				-	17,536
Counseling	6,618			6,618	6,463
Dues		459		459	260
Fundraising expenses			531	531	-
Groceries and household supplies	14,050			14,050	12,041
Insurance	5,989	890		6,879	9,519
Interest expense				-	215
Lab fees	1,965			1,965	3,147
Legal and professional		5,300		5,300	4,000
Miscellaneous expenses	836	540		1,376	1,367
Office expenses		2,383		2,383	2,952
Payroll processing fees		1,221		1,221	584
Postage		372		372	321
Printing		101		101	336
Repairs and maintenance	4,813			4,813	4,816
Residential services	1,309			1,309	629
Staff training	900			900	471
Technology		1,523		1,523	2,976
Transportation	584			584	391
Travel	1,315			1,315	1,894
Utilities	<u>17,281</u>	<u>3,293</u>		<u>20,574</u>	<u>20,237</u>
Total Before Depreciation	296,949	48,432	25,740	371,121	303,373
Depreciation expense	<u>11,109</u>			<u>11,109</u>	<u>10,142</u>
Total Expenses	<u>\$ 308,058</u>	<u>\$ 48,432</u>	<u>\$ 25,740</u>	<u>\$ 382,230</u>	<u>\$ 313,515</u>

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, 2009	June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 4)	\$ 54,284
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,109	10,142
Unrealized loss on investments	2,871	1,386
Changes in operating assets and liabilities		
Increase in accounts receivable	(173)	(302)
Decrease (increase) in grants receivable	(7,360)	8,801
Decrease (increase) in prepaid expenses	(11,255)	(362)
Increase (decrease) in resident deposits and expenses	1,180	(130)
Increase (decrease) in accounts payable	(2,925)	609
Increase in accrued expenses	1,240	3,278
Net Cash Provided by (Used for) Operating Activities	(5,317)	77,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Property acquisitions	(14,455)	(12,682)
Increase in investments	(1,304)	(983)
Net Cash Used for Investing Activities	(15,759)	(13,665)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	-	(30,439)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(21,076)	33,602
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	108,818	75,216
CASH AND CASH EQUIVALENTS- END OF YEAR	\$ 87,742	\$ 108,818

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.

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 5).

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Contributed Services and Gifts in Kind - During the period ended June 30, 2009 and 2008, the values of contributed goods meeting the requirements for recognition in the financial statements were \$0. 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.

Reclassification - Certain June 30, 2008 amounts as previously reported have been reclassified to conform to the June 30, 2009 presentation. The reclassifications have no effect on net income for the year ending June 30, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2008, 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. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation. Insured limits were temporarily increased from \$100,000 to \$250,000 on October 3, 2008. The standard coverage limit will return to \$100,000 on January 1, 2014. Total uninsured cash balances at June 30, 2009 and 2008 were \$0 and \$19,217, 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 \$28,787 and \$36,427 as of June 30, 2009 and 2008, respectively.

Grants receivable for the year ending June 30, 2009 also include an additional \$15,000 from a local foundation which is listed as a temporarily restricted net asset in Note 9.

NOTE 5 – Investments

Investments are recorded at fair market value and consist of the following as of June 30, 2009 and 2008:

	2009	2008
Certificates of deposit	\$ 34,694	\$ 33,391
Investment - Community Foundation of Greater Fort Wayne	12,892	15,763
	\$ 47,586	\$ 49,154

Additionally, the Foundation holds investment assets with a value of \$3,658 and \$3,836 at June 30, 2009 and 2008, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

Net investment income consisted of the following:

	June 30 2009	June 30 2008
Interest income	\$ 2,724	\$ 4,319
Unrealized losses	(2,871)	(1,386)
Investment management fees	-	-
Total	(\$ 147)	\$ 2,933

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – Fair Value of Financial Instruments

Statement on Financial Accounting Standards No. 157, “*Fair Value Measurements*” (as amended), requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Hope House, Inc. impacted by this pronouncement include the investments held at market value.

FASB Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of financial instruments as of June 30, 2009 is as follows:

	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
	\$	\$	\$
Certificates of deposit	34,694		
Community Foundation of Greater Fort Wayne			12,892

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2009:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
	\$
Beginning Balance - July 1, 2008	15,763
Total gains or losses (realized/unrealized) included in earnings:	
Interest and dividend income on securities	555
Unrealized losses	(2,296)
Realized losses on sale of securities	(984)
Investment fees	(146)
Ending Balance - June 30, 2009	12,892

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – Line of Credit

The Organization has entered into an agreement with 1st Source Bank for a \$31,000 line of credit. The note is secured by a \$10,000 certificate of deposit and the money management account and bears interest at the bank's prime interest rate plus 1.75%, (currently 5%). Interest is due monthly on any outstanding balance. As of June 30, 2009 and 2008, there were no outstanding balances.

NOTE 8 - 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, 2009 and 2008:

June 30, 2009	<u>Hope House</u>	<u>Genesis Outreach</u>
Housing and Urban Development Grant - Transitional Housing Program (H.U.D.)	\$ 134,906	\$ 63,672
June 30, 2008	<u>Hope House</u>	<u>Genesis Outreach</u>
Housing and Urban Development Grant - Transitional Housing Program (H.U.D.)	\$ 125,575	\$ 62,448

NOTE 9 - Restrictions on Assets

Temporarily restricted net asset are available for the following purposes:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Community Foundation of Greater Fort Wayne - General Operating Support	\$ 10,000	\$	\$ 10,000	\$ -
The St. Joseph Community Health Foundation - Counseling	-	15,000		15,000
Lutheran Foundation Operational Support	<u>8,000</u>	<u></u>	<u>8,000</u>	<u>-</u>
	<u>\$ 18,000</u>	<u>\$ 15,000</u>	<u>\$ 18,000</u>	<u>\$ 15,000</u>

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

Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
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September 14, 2009

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. as of and for the year ended June 30, 2009, 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 14, 2009 on the financial statements of Hope House, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Follow up of Prior Year Recommendations:

In our letter to the Board of Directors dated October 15, 2008, we made three recommendations. With regards to our first recommendation noting various policy implementations, we are pleased to say that the majority of these have been implemented and that the disaster recovery policy is in process. The invoice approval process, our second recommendation has been corrected and implemented as recommended. There has also been some improvement made to our final recommendation with regards to segregation of duties and cash receipts, however, please note that with the size of your organization we do recommend continually reviewing this process and making any improvements as necessary.

Review Process

Throughout this year's auditing process we did have to make a number of journal entries. The majority of the journal entries were related to the year-end closing process.

Recommendation

We recommend further diligence with regards to the year-end closing entries which will hopefully limit the number of journal entries that are required during the auditing process.

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.

This information in this letter is intended solely for the use of those charged with governance of Hope House, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely appreciate the opportunity to provide services to the Hope House, Inc. and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.



LEONARD J. ANDORFER & CO., LLP
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Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
260-423-9405

September 14, 2009

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, 2009, and have issued our report thereon dated September 14, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by 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 ending June 30, 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 September 14, 2009.

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 to our retention.

Board of Directors
Hope House, Inc.
Page 3

This information is intended solely for the use of the Board of Directors and management of 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
Certified Public Accountants