

SAFEHOME, INC.

FINANCIAL STATEMENTS

**Year Ended December 31, 2013
with
Independent Auditors' Report**

SAFEHOME, INC.

FINANCIAL STATEMENTS

December 31, 2013

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SAFEHOME, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **SAFEHOME, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SAFEHOME, Inc.**, as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

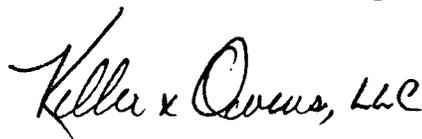
We have previously audited **SAFEHOME, Inc.**'s 2012 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2014, on our consideration of **SAFEHOME, Inc.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **SAFEHOME, Inc.**'s internal control over financial reporting and compliance.



Overland Park, Kansas
July 17, 2014

SAFEHOME, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(With comparative totals as of December 31, 2012)

	<u>ASSETS</u>	
	2013	2012
Cash and Cash Equivalents	\$ 614,759	\$ 623,944
Cash and Cash Equivalents, Restricted for Capital Campaign	806,160	-
Certificates of Deposit, at cost	288,637	285,345
Investments	1,663,896	1,583,292
Pledges Receivable, net	81,946	139,663
Pledges Receivable, net, Restricted for Capital Campaign	358,903	-
Contracts Receivable	123,108	188,846
Other Receivables	36,629	28,461
Prepaid Expenses	8,869	6,719
Inventory	64,371	48,619
Property and Equipment, net	3,259,817	3,358,870
 Total Assets	 \$ 7,307,095	 \$ 6,263,759

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 37,127	\$ 32,344
Accrued payroll and related liabilities	126,462	129,686
Custodial funds held	2,857	12,996
Refundable advances on government contracts	78,827	67,920
Mortgage payable	357,164	357,164
Total Liabilities	602,437	600,110
Net Assets:		
Unrestricted:		
Board designated - endowment	773,866	693,262
Board designated - operating reserve	556,613	547,457
Net investment in property and equipment	2,902,653	3,001,706
Undesignated	227,576	258,376
Total Unrestricted	4,460,708	4,500,801
Temporarily Restricted:		
Capital campaign	1,165,063	-
Other	188,857	272,818
Total Temporarily Restricted	1,353,920	272,818
Permanently restricted - endowment	890,030	890,030
Total Net Assets	6,704,658	5,663,649
 Total Liabilities and Net Assets	 \$ 7,307,095	 \$ 6,263,759

See accompanying notes

SAFEHOME, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support:					
Foundations	\$ 346,685	\$ 39,448	\$ -	\$ 386,133	\$ 514,688
Individuals	230,352	22,700	-	253,052	403,416
Corporations	81,974	1,448	-	83,422	65,115
Religious and Service Organizations	28,730	25,252	-	53,982	34,155
United Way and Other Federated Fundraising Organizations	160,875	-	-	160,875	160,306
Capital Campaign	242,743	1,165,063	-	1,407,806	-
Federal Government Grants	622,268	-	-	622,268	804,116
State Government Grants	416,035	-	-	416,035	360,723
Local Government Grants	51,779	-	-	51,779	56,335
In-kind Contributions	465,403	-	-	465,403	396,087
Net Assets Released from Restrictions	166,699	(166,699)	-	-	-
Revenue:					
Special Event Receipts	360,237	-	-	360,237	418,103
Fees for Services	1,070	-	-	1,070	991
Investment Return	164,442	-	-	164,442	134,334
Other Income	21,206	-	-	21,206	4,442
Total Support and Revenue	3,360,498	1,087,212	-	4,447,710	3,352,811
Expenses:					
Program Services:					
Shelter	1,189,223	-	-	1,189,223	1,230,217
Counseling	445,090	-	-	445,090	415,625
Outreach	685,806	-	-	685,806	723,733
Children's	144,711	-	-	144,711	137,177
Transitional Living	161,226	-	-	161,226	196,804
	<u>2,626,056</u>	<u>-</u>	<u>-</u>	<u>2,626,056</u>	<u>2,703,556</u>
Supporting Services:					
Administration	276,316	-	-	276,316	320,868
Development	255,420	-	-	255,420	283,880
Capital Campaign	242,799	-	-	242,799	25,099
	<u>774,535</u>	<u>-</u>	<u>-</u>	<u>774,535</u>	<u>629,847</u>
Total Expenses	3,400,591	-	-	3,400,591	3,333,403
Loss on Pledge Contributions	<u>-</u>	<u>6,110</u>	<u>-</u>	<u>6,110</u>	<u>10,814</u>
Total Expenses and Losses	3,400,591	6,110	-	3,406,701	3,344,217
Change in Net Assets	(40,093)	1,081,102	-	1,041,009	8,594
Net Assets at Beginning of Year	<u>4,500,801</u>	<u>272,818</u>	<u>890,030</u>	<u>5,663,649</u>	<u>5,655,055</u>
Net Assets at End of Year	<u>\$ 4,460,708</u>	<u>\$ 1,353,920</u>	<u>\$ 890,030</u>	<u>\$ 6,704,658</u>	<u>\$ 5,663,649</u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013										2012	
	Program Services					Supporting Services					Total	Total
	Shelter	Counseling	Outreach	Children's	Transitional Living	Total Program	Administration	Development	Capital Campaign			
Salary and Wages	\$ 458,057	\$ 310,473	\$ 503,909	\$ 86,356	\$ 72,454	\$ 1,431,249	\$ 148,249	\$ 117,084	\$ 100,738	\$ 1,797,320	\$ 1,835,274	
Taxes and Benefits	73,607	59,379	91,685	15,540	11,470	251,681	33,847	22,810	1,597	309,935	332,859	
Other Personnel Costs	2,738	2,395	3,109	725	415	9,382	914	258	1,256	11,810	9,646	
Contract Labor	8,024	6,578	5,546	1,323	996	22,467	1,931	1,663	-	26,061	29,072	
Occupancy	51,573	17,703	7,717	8,356	11,129	96,478	9,513	7,910	24,323	138,224	146,091	
Office Supplies and Expenses	16,349	8,126	12,146	2,343	1,356	40,320	4,960	2,533	130	47,943	44,984	
Printing	2,956	1,920	4,407	544	453	10,280	909	1,428	-	12,617	20,914	
Telephone and Internet	7,177	3,227	3,575	1,233	1,685	16,897	1,706	1,383	-	19,986	17,699	
Postage	377	430	251	2	138	1,198	594	2,130	13	3,935	11,177	
Client Assistance	45,923	175	22,622	13,050	48,167	129,937	-	-	-	129,937	120,857	
Other Program Expenses	438,372	782	-	1,784	1,552	442,490	-	-	-	442,490	412,845	
Travel Expenses	4,194	1,032	11,758	326	1,497	18,807	1,297	578	1,180	21,862	25,433	
Professional Fees	1,522	1,060	1,705	292	240	4,819	30,070	399	98,379	133,667	56,111	
Insurance	3,942	1,523	3,454	743	536	10,198	3,375	674	1,838	16,085	12,864	
Bank and Endowment Fees	-	-	39	-	-	39	23,189	1,395	555	25,178	22,654	
Interest	-	-	-	-	-	-	-	-	12,790	12,790	53	
Other Operating Expense	5,088	3,033	2,185	643	1,252	12,201	1,240	34,862	-	48,303	59,040	
Depreciation	69,324	27,254	11,698	11,451	7,886	127,613	14,522	12,192	-	154,327	136,445	
Subtotal	1,189,223	445,090	685,806	144,711	161,226	2,626,056	276,316	207,299	242,799	3,352,470	3,294,018	
Direct Benefits to Donors	-	-	-	-	-	-	-	48,121	-	48,121	39,385	
Total Expenses	<u>\$ 1,189,223</u>	<u>\$ 445,090</u>	<u>\$ 685,806</u>	<u>\$ 144,711</u>	<u>\$ 161,226</u>	<u>\$ 2,626,056</u>	<u>\$ 276,316</u>	<u>\$ 255,420</u>	<u>\$ 242,799</u>	<u>\$ 3,400,591</u>	<u>\$ 3,333,403</u>	

See accompanying notes

SAFEHOME, INC.

STATEMENT OF CASH FLOWS Year Ended December 31, 2013

(With comparative totals for the year ended December 31, 2012)

	2013	2012
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,041,009	\$ 8,594
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	154,328	136,445
Realized/unrealized gains on investments	(106,881)	(74,366)
Capital gain distributions	(6,092)	-
Contributions restricted for capital campaign	(1,407,806)	-
Changes in operating assets and liabilities:		
Pledges receivable, net	57,717	17,652
Contracts receivable	65,738	(14,892)
Other receivables	(8,168)	4,022
Prepaid expenses	(2,150)	(164)
Inventory	(15,752)	5,305
Accounts payable	4,783	(19,483)
Accrued payroll and related liabilities	(3,224)	(7,111)
Custodial funds held	(10,139)	(58,254)
Refundable advances on government contracts	10,907	53,716
Net cash (used) provided by operating activities	(225,730)	51,464
Cash Flows from Investing Activities:		
Net change of certificates of deposit, at cost	(3,292)	(177,392)
Change in assets restricted for capital campaign	(1,165,063)	-
Purchases of investments	(921,717)	(1,708,058)
Proceeds from sale of investments	954,086	1,743,858
Purchase of property and equipment	(55,275)	(71,414)
Net cash used by investing activities	(1,191,261)	(213,006)
Cash Flows from Financing Activities:		
Contributions received for capital campaign	1,407,806	-
Proceeds from line of credit	-	14,825
Net cash provided by financing activities	1,407,806	14,825
Net Increase in Cash and Cash Equivalents	(9,185)	(146,717)
Cash and Cash Equivalents at Beginning of Year	623,944	770,661
Cash and Cash Equivalents at End of Year	\$ 614,759	\$ 623,944

NON-CASH INVESTING AND FINANCING ACTIVITIES

Land and Building Acquired Using a Line of Credit	\$ -	\$ 342,339
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SUPPLEMENTAL DISCLOSURE

Cash paid for interest	\$ 12,790	\$ 53
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See accompanying notes

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations - SAFEHOME, Inc. (the Organization) provides shelter and services to victims of domestic violence and their children. The mission of the Organization is to break the cycle of domestic violence and partner abuse for victims and their children by providing shelter, advocacy, counseling, and prevention education in the community. The vision is to create a community free of domestic and partner abuse.

Program Descriptions – The Organization’s spectrum of programs include Shelter, Counseling, and Outreach, and include a Transitional Housing Program and Children’s Program.

Shelter Services – SAFEHOME, Inc. offers emergency shelter for victims of domestic violence and their children in a state of the art, highly secured facility in a confidential location. The 90-day shelter program offers help with finding safe housing and jobs, financial literacy classes, counseling, support groups, and a specialized Children’s Program. Clients access all of the Organization’s programs through a live-staffed, 24-hour domestic violence hotline.

Counseling Services – Shelter and community-based counseling services include individual and group counseling for adults, children, and families (with the non-offending parent), as well as substance abuse assessment and referral. Counseling is provided by professional licensed therapists, as well as graduate level interns. All counseling services are provided to clients at no charge.

Outreach Services – In addition to services for clients living in the shelter, **SAFEHOME, Inc.** provides services and support to victims living in the community.

- *Healthcare Advocacy* – Services include 24-hour on-call advocacy and support for domestic violence victims in hospitals and clinics, as well as training for hospital staff.
- *Court and Legal Advocacy* – Services include on-site daily information sessions at the courthouse, assistance with hearings, civil and criminal court cases, and obtaining Protection from Abuse Orders (PFAs). A full-time staff attorney assists clients with PFAs, divorce and custody issues.
- *Latina Outreach* – Services provide support and education to victims of domestic violence in the Spanish-speaking community.
- *Education and Prevention* – Staff provide presentations to area middle and high schools, as well as domestic violence education to local businesses, civic, religious and social organizations. The program particularly targets middle and high school students through a classroom-based educational curriculum on healthy relationships and teen dating violence, as well as an educational street theatre production called “The Outrage”.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Descriptions (continued) –

Children’s Advocacy Program – Specialized children’s services include professional counseling and play therapy, child and family advocacy, assistance with re-enrolling in schools, and parenting skills education for mothers.

Transitional Living Program – Services to help victims and children transition into independent community living include up to one year of graduated rent assistance, ongoing case management, and professional counseling. The program helps victims of domestic abuse achieve and maintain affordable housing and achieve financial and emotional independence after leaving an abusive situation.

Cash Equivalents – For purposes of the statement of cash flows, the Organization considers highly-liquid investments purchased with maturities of less than three months to be cash equivalents.

Comparative Financial Statements - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Concentration of Cash Risk – The Organization maintains its cash in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Organization deposits funds.

Contracts, Pledges and Other Receivables - Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers or donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the stipulated terms. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management believes that these receivables at year-end are fully collectible net of the allowance shown in Note 5.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Financial Statement Presentation – The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets are those currently available at the discretion of the Board for use in the entity's operations and those resources invested in land, buildings and equipment.

Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes, special projects or for the acquisition or construction of land, buildings and equipment.

Permanently restricted amounts are those restricted by donors in perpetuity as endowments or irrevocable trusts.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state law, and contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code. Among other things, the Organization is exempt from income (except on unrelated business income), FUTA, and state and local real estate taxes.

In accordance with FASB ASC 740, the Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2013 and, accordingly, no liability has been accrued. However, in general, tax years for the three prior years remain subject to IRS examination.

In-kind Contributions – In-kind contributions consist of non-cash items donated to the Organization for use in operations. Donated items include food, supplies and services and are recorded at estimated fair value at date of receipt.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory – Inventory consists of clothing, food, health and beauty, and other miscellaneous household items for shelter and administrative use. Inventory is stated at fair value at date of donation.

Property and Equipment – Expenditures for property and equipment over \$1,000 are recorded at cost. Depreciation has been recorded on property and equipment using the straight-line method. The estimated useful lives of the assets are as follows: buildings, 30 years; land and building improvements, 10-15 years; furniture and fixtures, 5-10 years; equipment, 3-10 years and software, 3 years.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Recognition of Donor Restrictions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service. The Organization has elected to show contributions and investment income whose restrictions are met in the same period in which they are received as unrestricted contribution revenue and investment income.

Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated events and transactions that have occurred since December 31, 2013 and reflected their effects, if any, in these financial statements through July 17, 2014, the date the financial statements were available to be issued.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

2. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2013:

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)
Money market funds	\$ 40,780	\$ 40,780
Domestic stock funds	698,175	698,175
International stock funds	208,608	208,608
Taxable bond funds	664,165	664,165
Hybrids	52,168	52,168
Total Investments	<u>\$ 1,663,896</u>	<u>\$ 1,663,896</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

2. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2012:

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)
Money market funds	\$ 24,631	\$ 24,631
Domestic stock funds	635,083	635,083
International stock funds	146,062	146,062
Taxable bond funds	699,457	699,457
Hybrids	78,059	78,059
Total Investments	\$ 1,583,292	\$ 1,583,292

3. INVESTMENT RETURN

The following schedule summarizes the investment income and its classification in the statement of activities.

	2013	2012
Interest and dividend income	\$ 57,561	\$ 59,968
Realized/unrealized gains on investments	106,881	74,366
Total Investment Return	\$ 164,442	\$ 134,334

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. ENDOWMENTS

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization chooses to show restricted investment income whose restrictions are met in the same reporting period as unrestricted investment income.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Kansas enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The unspent earnings on the donor-restricted endowment are included in unrestricted endowment fund in accordance with the intentions of the donor. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. ENDOWMENTS (continued)

The Organization has a spending policy of appropriating for distribution each quarter 1.25 percent of its endowment fund's value, unless the endowment falls below \$500,000. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its general endowment fund to grow at an average of 5 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes money market, fixed income and equity securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent, while growing the fund if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 10 percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment Net Asset Composition by Type of Fund as of December 31, 2013:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 890,030	\$ 890,030
Board-designated endowment funds	<u>773,866</u>	<u>-</u>	<u>773,866</u>
Total Funds	<u>\$ 773,866</u>	<u>\$ 890,030</u>	<u>\$ 1,663,896</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 693,262	\$ 890,030	\$ 1,583,292
Endowment fees	(14,885)	-	(14,885)
Investment return:			
Investment income	43,749	-	43,749
Net appreciation (realized and unrealized)	106,881	-	106,881
Total investment return	150,630	-	150,630
 Appropriation of endowment assets for expenditure	 (55,141)	 -	 (55,141)
 Endowment net assets, end of year	 <u>\$ 773,866</u>	 <u>\$ 890,030</u>	 <u>\$ 1,663,896</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 890,030	\$ 890,030
Board-designated endowment funds	693,262	-	693,262
 Total Funds	 <u>\$ 693,262</u>	 <u>\$ 890,030</u>	 <u>\$ 1,583,292</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. ENDOWMENTS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2012:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 654,696	\$ 890,030	\$ 1,544,726
Endowment fees	(14,517)	-	(14,517)
Investment return:			
Investment income	53,717	-	53,717
Net appreciation (realized and unrealized)	74,366	-	74,366
Total investment return	128,083	-	128,083
 Appropriation of endowment assets for expenditure	 (75,000)	 -	 (75,000)
 Endowment net assets, end of year	 <u>\$ 693,262</u>	 <u>\$ 890,030</u>	 <u>\$ 1,583,292</u>

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment only) at December 31, 2013 and 2012:

Permanently Restricted Net Assets:

	2013	2012
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 890,030	\$ 890,030
 Total Endowment Funds Classified as Permanently Restricted Net Assets	 <u>\$ 890,030</u>	 <u>\$ 890,030</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

5. PLEDGES RECEIVABLE

The Organization started the HOME-SAFE-HOME (H-S-H) fundraising campaign in 2004. Contributions are not purpose-restricted, but are time-restricted.

	<u>2013</u>	<u>2012</u>
Receivable in:		
Less than one year	\$ 66,169	\$ 84,055
One to five years	52,721	108,493
Six to ten years	<u>1,041</u>	<u>100</u>
	119,931	192,648
Allowance for collectability	(25,000)	(40,000)
Discount at 4%	<u>(12,985)</u>	<u>(12,985)</u>
Net Pledges Receivable	<u>\$ 81,946</u>	<u>\$ 139,663</u>

The Organization started the **SAFEHOME** Capital Campaign fundraising campaign in 2013. Contributions are time and purpose-restricted.

	<u>2013</u>
Receivable in:	
Less than one year	\$ 210,012
One to five years	<u>168,069</u>
	378,081
Discount at 4%	<u>(19,178)</u>
Net Pledges Receivable	<u>\$ 358,903</u>

6. PROPERTY AND EQUIPMENT

On November 28, 2012, the Organization purchased an office building with future plans to move administrative offices to the office building to provide more space for operational activities at their current location. The purchase was financed by a line of credit. In anticipation of purchasing an additional building, the Organization secured the services of a capital campaign consultant in October of 2012. An agreement was signed with the consultant in May 2013 for a total of \$120,000 of which \$90,000 and \$15,000 was expensed in 2013 and 2012, respectively. The closing on the purchase of the building occurred on November 28, 2012. The Organization anticipates spending twelve to eighteen months actively seeking support to meet the campaign goal of \$2.9 million, with pledges coming in for three to five years beyond the end of the campaign. The capital campaign funds will allow the Organization to pay off the line of credit, fund renovations to the new and existing facilities, and increase the Organization's operating reserve.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

6. PROPERTY AND EQUIPMENT (continued)

A summary of property and equipment is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 555,000	\$ 555,000
Land improvements	182,761	163,312
Building	3,099,888	3,099,888
Building improvements	187,432	156,777
Furniture and fixtures	276,965	276,965
Office equipment	90,030	84,859
Kitchen equipment	34,551	34,551
Medical equipment	2,406	2,406
Software	<u>2,100</u>	<u>2,100</u>
	4,431,133	4,375,858
Less accumulated depreciation	<u>(1,171,316)</u>	<u>(1,016,988)</u>
Net Property and Equipment	<u>\$ 3,259,817</u>	<u>\$ 3,358,870</u>

7. BANK LINES OF CREDIT

The Organization maintains a bank line of credit with a maximum borrowing limit of \$150,000. Interest is payable quarterly at a fixed rate of 4.5% per annum. The line expires on June 10, 2015. No amounts were outstanding at December 31, 2013 and 2012.

On November 28, 2012, the Organization entered into a bank line of credit with a maximum borrowing limit of \$500,000. Interest is payable quarterly at a fixed rate of 3.5% per annum. The line expires on November 28, 2015 at which time all outstanding principal and accrued interest is due in full. Quarterly interest only payments begin February 28, 2013. As of December 31, 2013, \$357,164 is outstanding. The line is secured by certain real estate.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

8. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and time periods:

	<u>2013</u>	<u>2012</u>
Shelter Services	\$ 26,998	\$ 54,043
Volunteer Program	2,072	1,877
Counseling Services	-	20,560
Court and Legal Advocacy Services	8,302	191
Community Education Programs	27,233	30,301
Other Program Services	7,405	5,400
Children's Program	17,402	3,750
Healthcare	15,299	-
Outreach	<u>2,200</u>	<u>17,033</u>
Total Purpose Restrictions	106,911	133,155
Pledges Receivable Restricted for Future Periods	<u>81,946</u>	<u>139,663</u>
Total Other Restrictions	<u>188,857</u>	<u>272,818</u>
Capital Campaign Funds Received	806,160	-
Capital Campaign Pledges Outstanding	358,903	-
Total Campaign Restrictions	<u>1,165,063</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,353,920</u>	<u>\$ 272,818</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

8. RESTRICTED NET ASSETS (continued)

Net assets released from temporary restrictions due to satisfaction of purpose and time restrictions are categorized as follows:

	<u>2013</u>	<u>2012</u>
Shelter Services	\$ 37,304	\$ 30,178
Transitional Living	-	19
Counseling Services	20,561	19,825
Court and Legal Advocacy Services	191	703
Community Education Programs	24,233	61,006
Other Agency Services	5,996	4,016
Outreach	7,357	3,639
Healthcare	-	904
Children's Program	13,425	3,887
Volunteer Program	<u>1,877</u>	<u>1,139</u>
Total Purpose Restrictions	110,944	125,316
Pledges Receivable Restricted for Future Periods	<u>55,755</u>	<u>63,100</u>
Total Time Restrictions	<u>55,755</u>	<u>63,100</u>
Net Assets Released from Restrictions	<u>\$ 166,699</u>	<u>\$ 188,416</u>

Endowment funds of \$890,030 and \$890,030 are permanently restricted at December 31, 2013 and 2012, respectively. Earnings on all but \$5,000 are unrestricted for general operations. Earnings on \$5,000 of the endowment are temporarily restricted for maintenance of the facility.

9. RETIREMENT PLAN

The Organization has implemented a retirement plan for its permanent employees, which is a qualified employee benefit plan under Internal Revenue Code Section 403(b). The Organization did not match employee contributions during the years ended December 31, 2013 and 2012.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

10. LEASES

The Organization leases equipment under operating leases with original terms of 63 months. The following is a schedule by years of future minimum lease payments under these leases:

<u>Years ending December 31:</u>	
2014	\$ 10,932
2015	10,932
2016	<u>5,466</u>
Total Minimum Lease Payments	<u>\$ 27,330</u>

The Organization incurred lease expenses of \$14,821 and \$14,102 for the years ended December 31, 2013 and 2012, respectively.

11. CONCENTRATION OF CREDIT RISK OF REVENUE SOURCES AND RECEIVABLES

In 2013, approximately 14% of total revenue was generated from the federal government. As of December 31, 2013, 65%, 19%, and 13% of contracts receivable were due from the state of Kansas, federal government, and Johnson County, KS, respectively.

In 2012, approximately 24% of total revenue was generated from the federal government and 11% from the state of Kansas. As of December 31, 2012, 68% and 18% of contracts receivable were due from the state of Kansas and federal government, respectively.

SUPPLEMENTAL INFORMATION

SAFEHOME, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2013

Federal Agency/Pass Through Agency Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Office on Violence Against Women Transitional		
Housing Assistance Grant	16.736	\$ 85,962
Housing Assistance Grant - ARRA Funds	16.805	<u>6,894</u>
		<u>92,856</u>
Pass through from State of Kansas		
Office of the Governor		
Victims of Crime Act Grant	16.575	226,321
Violence Against Women Act Grant	16.588	<u>79,021</u>
		<u>305,342</u>
U.S. Department of Health and Human Services:		
Rape Prevention and Education Grant	93.991	62,672
Federal Violence Prevention and Services Grant (pass through from State of Kansas Office of the Governor)	93.671	<u>101,413</u>
		<u>164,085</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing Program	14.235	48,105
Community Development Block Grant	14.218	<u>8,591</u>
		<u>56,696</u>
Total Expenditures of Federal Awards		<u>\$ 618,979</u>

Basis of presentation - The schedule of expenditures of federal awards includes the federal grant activity of **SAFEHOME, Inc.** 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*.



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
SAFEHOME, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **SAFEHOME, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2014.

Internal Control Over Financial Reporting

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

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

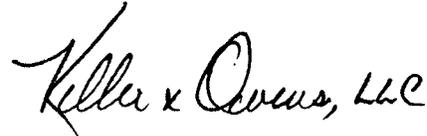
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
July 17, 2014



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
SAFEHOME, Inc.

Report on Compliance for Each Major Federal Program

We have audited **SAFEHOME, Inc.**'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **SAFEHOME, Inc.**'s major federal programs for the year ended December 31, 2013. **SAFEHOME, Inc.**'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **SAFEHOME, Inc.**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **SAFEHOME, Inc.**'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **SAFEHOME, Inc.**'s compliance.

Opinion on Each Major Federal Program

In our opinion, **SAFEHOME, Inc.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

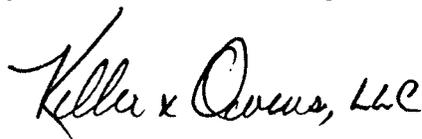
Report on Internal Control Over Compliance

Management of **SAFEHOME, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **SAFEHOME, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **SAFEHOME, Inc.**'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Overland Park, Kansas
July 17, 2014

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program

16.575

Victims of Crime Act Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

X Yes _____ No

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended December 31, 2013

Section II - Financial Statement Findings

There were no financial statement findings related to the year ended December 31, 2013.

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended December 31, 2013

Section III - Federal Award Findings and Questioned Costs

There were no findings for the year ended December 31, 2013 related to the Federal award audit.

SAFEHOME, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

There were no financial statement or federal award findings related to the year ended December 31, 2012.