

SAFEHOME, INC.

FINANCIAL STATEMENTS

**Year Ended December 31, 2014
with
Independent Auditors' Report**

SAFEHOME, INC.

FINANCIAL STATEMENTS

December 31, 2014

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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, 2014, 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, 2014, 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.

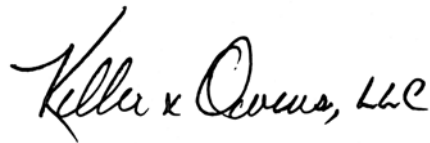
Other Matters

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 16, 2015, 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.

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

Overland Park, Kansas
July 16, 2015

SAFEHOME, INC.

STATEMENT OF FINANCIAL POSITION December 31, 2014

ASSETS

Cash and Cash Equivalents	\$	385,896
Cash and Cash Equivalents, Restricted for Capital Campaign		1,313,413
Certificates of Deposit, at cost		288,637
Investments		1,640,356
Pledges Receivable, net		115,601
Pledges Receivable, net, Restricted for Capital Campaign		384,349
Contracts Receivable, no Allowance for Doubtful Accounts		181,064
Other Receivables		1,397
Prepaid Expenses		6,879
Inventory		65,284
Property and Equipment, net		<u>3,778,436</u>
Total Assets	\$	<u><u>8,161,312</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$	109,758
Accrued payroll and related liabilities		142,583
Refundable advances and deposits		<u>111,367</u>
Total Liabilities		363,708
Net Assets:		
Unrestricted:		
Board designated - endowment		750,326
Board designated - operating reserve		551,063
Net investment in property and equipment		3,778,436
Undesignated		<u>(66,029)</u>
Total Unrestricted		5,013,796
Temporarily Restricted:		
Capital campaign		1,697,762
Other		<u>196,016</u>
Total Temporarily Restricted		1,893,778
Permanently Restricted - Endowment		<u>890,030</u>
Total Net Assets		<u><u>7,797,604</u></u>
Total Liabilities and Net Assets	\$	<u><u>8,161,312</u></u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Foundations	\$ 127,811	\$ 412,004	\$ -	\$ 539,815
Individuals	172,654	41,834	-	214,488
Corporations	71,281	9,550	-	80,831
Religious and Service Organizations	18,373	10,691	-	29,064
United Way and Other Federated Fundraising Organizations	61,204	191,267	-	252,471
Capital Campaign	-	1,467,508	-	1,467,508
Federal Government Grants	675,653	-	-	675,653
State Government Grants	394,632	-	-	394,632
Local Government Grants	49,502	-	-	49,502
In-kind Contributions	497,311	-	-	497,311
Net Assets Released from Restrictions	1,582,692	(1,582,692)	-	-
Revenue:				
Special Events	326,060	-	-	326,060
Investment Return	74,511	-	-	74,511
Other Income	3,674	-	-	3,674
Total Support and Revenue	<u>4,055,358</u>	<u>550,162</u>	<u>-</u>	<u>4,605,520</u>
Expenses:				
Program Services:				
Shelter	1,232,209	-	-	1,232,209
Counseling	505,949	-	-	505,949
Outreach	653,997	-	-	653,997
Children's	168,224	-	-	168,224
Transitional Living	222,213	-	-	222,213
	<u>2,782,592</u>	<u>-</u>	<u>-</u>	<u>2,782,592</u>
Supporting Services:				
Administration	270,029	-	-	270,029
Development	241,046	-	-	241,046
Capital Campaign	203,562	-	-	203,562
	<u>714,637</u>	<u>-</u>	<u>-</u>	<u>714,637</u>
Total Expenses	<u>3,497,229</u>	<u>-</u>	<u>-</u>	<u>3,497,229</u>
Loss on Disposal of Property and Equipment	5,041	-	-	5,041
Loss on Uncollectible Pledges	-	10,304	-	10,304
Total Expenses and Losses	<u>3,502,270</u>	<u>10,304</u>	<u>-</u>	<u>3,512,574</u>
Change in Net Assets	553,088	539,858	-	1,092,946
Net Assets at Beginning of Year	<u>4,460,708</u>	<u>1,353,920</u>	<u>890,030</u>	<u>6,704,658</u>
Net Assets at End of Year	<u>\$ 5,013,796</u>	<u>\$ 1,893,778</u>	<u>\$ 890,030</u>	<u>\$ 7,797,604</u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2014

	Program Services					Supporting Services				Total
	Shelter	Counseling	Outreach	Children's	Transitional Living	Total Program	Administration	Development	Capital Campaign	
Salary and Wages	\$ 441,902	\$ 322,944	\$ 464,194	\$ 91,507	\$ 71,852	\$ 1,392,399	\$ 135,607	\$ 123,761	\$ 168,705	\$ 1,820,472
Taxes and Benefits	87,014	73,879	98,536	18,772	14,908	293,109	21,163	6,905	7,810	328,987
Other Personnel Costs	2,967	4,796	4,208	855	839	13,665	491	693	611	15,460
Contract Labor	13,219	8,056	5,472	1,999	1,377	30,123	2,533	2,127	-	34,783
Occupancy	96,843	35,521	13,997	15,303	16,166	177,830	20,255	16,088	-	214,173
Office Supplies and Expenses	22,831	7,523	4,741	3,529	2,316	40,940	6,397	3,034	-	50,371
Printing	8,325	3,243	4,715	1,370	911	18,564	1,676	2,092	-	22,332
Telephone and Internet	6,915	3,676	4,941	1,545	1,871	18,948	1,958	1,297	-	22,203
Postage	1,999	1,124	913	153	463	4,652	1,657	3,260	-	9,569
Client Assistance	64,971	150	4,636	11,411	95,129	176,297	-	-	-	176,297
Other Program Expenses	389,799	4,985	10,172	6,180	1,527	412,663	290	778	214	413,945
Travel Expenses	4,217	1,294	11,928	454	3,520	21,413	455	440	422	22,730
Professional Fees	1,850	1,352	1,943	383	301	5,829	27,730	518	24,029	58,106
Insurance	5,005	1,945	3,653	811	1,277	12,691	2,715	862	-	16,268
Bank and Endowment Fees	-	-	-	-	-	-	28,889	2,578	-	31,467
Other Operating Expense	4,521	4,068	8,580	760	666	18,595	1,496	31,179	1,771	53,041
Interest	6,038	2,374	860	998	688	10,958	1,264	1,062	-	13,284
Depreciation	73,793	29,019	10,508	12,194	8,402	133,916	15,453	12,980	-	162,349
Subtotal	1,232,209	505,949	653,997	168,224	222,213	2,782,592	270,029	209,654	203,562	3,465,837
Direct Benefits to Donors	-	-	-	-	-	-	-	31,392	-	31,392
Total Expenses	<u>\$ 1,232,209</u>	<u>\$ 505,949</u>	<u>\$ 653,997</u>	<u>\$ 168,224</u>	<u>\$ 222,213</u>	<u>\$ 2,782,592</u>	<u>\$ 270,029</u>	<u>\$ 241,046</u>	<u>\$ 203,562</u>	<u>\$ 3,497,229</u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2014

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,092,946
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	162,349
Realized/unrealized gains on investments	(3,438)
Loss on disposal of property and equipment	5,041
Loss on uncollectible pledges	10,304
Contributions restricted for capital campaign	(1,464,939)
(Increase) decrease in:	
Pledges receivable	(8,439)
Contracts receivable	(57,956)
Other receivables	(288)
Prepaid expenses	1,990
Inventory	(913)
Increase (decrease) in:	
Accounts payable	23,576
Accrued payroll and related liabilities	16,121
Refundable advances and deposits	29,683
Net Cash Used by Operating Activities	<u>(193,963)</u>
Cash Flows from Investing Activities:	
Change in assets restricted for capital campaign	(532,699)
Purchases of investments	(539,925)
Proceeds from sale of investments	566,903
Purchases of property and equipment	<u>(636,954)</u>
Net Cash Used by Investing Activities	<u>(1,142,675)</u>
Cash Flows from Financing Activities:	
Contributions received for capital campaign	1,464,939
Payments on line of credit	<u>(357,164)</u>
Net Cash Provided by Financing Activities	<u>1,107,775</u>
Net Decrease in Cash and Cash Equivalents	(228,863)
Cash and Cash Equivalents at Beginning of Year	<u>614,759</u>
Cash and Cash Equivalents at End of Year	<u>\$ 385,896</u>

SUPPLEMENTAL DISCLOSURE

Cash paid for interest	<u>\$ 13,284</u>
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See accompanying notes

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. NATURE OF ORGANIZATION

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 Organization’s vision is to create a community free of domestic violence and partner abuse. The Organization is supported primarily by contributions from donors in the Kansas City metro area as well as by several federal, state, and local grants.

Program Descriptions – The Organization’s spectrum of programs include shelter, counseling, and a variety of outreach services.

Shelter Services – The Organization’s secure, confidential shelter provided 17,095 nights of shelter to 365 women and children fleeing domestic violence. It is impossible to quantify the number of lives saved, the violent acts avoided, or even the sense of peace and security provided. The Organization provides daily meals, clothing and personal items, and a private hotel-like room, where women and children can begin their recovery. We provide a full range of advocacy resources, including legal, financial, vocational, and parenting, access to medical care, and counseling of the highest possible quality. All services are provided free of charge.

Counseling Services – Victims of domestic violence need more than a safe place to sleep. Their worlds have been turned upside down through emotional, economic, physical and sexual abuse. In 2014, the Organization’s 7 full-time and 2 part-time licensed professional therapists, with the help of 18 interns, provided 993 people with 10,849 hours of counseling. English and Spanish speaking therapists work closely with clients to help them break the cycle of domestic violence. Our counselors also work closely with the District Attorney and local law enforcement to provide immediate crisis intervention counseling to domestic violence victims identified as being in “high lethality” situations.

Outreach Services – The Organization provides a wide range of services in the community to identify victims of domestic violence and help them reach the services they need. Hospital advocates train medical personnel to screen for domestic violence, and to assist them. Advocates and trained volunteers respond in person to victims in crisis within 30 minutes, sometimes when their abuser is in the waiting room. The Organization’s community outreach also helps victims through the complex and stressful legal process, advising them and sitting with them as they face their abusers. The Organization also maintains a 24/7/365 crisis hotline with trained personnel to respond to callers seeking help.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. NATURE OF ORGANIZATION (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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets – consist of donor-restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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 restriction." 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.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets – consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Cash and 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.

Certificates of Deposit – Certificates of deposit of \$288,637 were held by the Organization at December 31, 2014 and are carried at cost in the statement of financial position. Their original maturity dates range between sixteen months and nine and one-half years, with interest rates ranging between 1.15% and 1.99%.

Change in Accounting Policy – Previously, the Organization reported donor-restricted contributions whose restrictions were met in the same reporting period as unrestricted support and had a similar policy for reporting investment gains and income. During 2014, in accordance with FASB ASC 958-605-45, the Organization elected to change its accounting policy to begin reporting all contributions with donor-imposed restrictions as restricted support, regardless of whether the restrictions are satisfied in the same reporting period.

Concentration of Credit 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. At December 31, 2014, the Organization had approximately \$951,000 in deposits in excess of FDIC-insured limits.

Contracts Receivable – Contracts receivable consists of grants receivable from several federal, state, and local governmental agencies on a cost-reimbursement basis and is stated at their net realizable value as deemed by management.

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.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses – 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.

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, 2014 and, accordingly, no liability has been accrued. However, in general, tax years for the three prior years remain subject to IRS examination.

In-kind Donations – In-kind contributions are reflected at their estimated fair values at date of receipt and are summarized as follows for the year ended December 31, 2014:

Materials	\$ 384,550
Services – general contractor	<u>112,761</u>
Total In-kind Donations	<u>\$ 497,311</u>

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets, unless subject to time restrictions. Any volunteer services donated to the Organization that do not meet the criteria for recognition as a contribution are not reflected in the accompanying financial statements.

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.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Pledges Receivable – Pledges receivable consist of unconditional promises to give and are recognized as support in the period the promises are received. Unconditional promises to give that are expected to be collected within one year or less are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using risk-free rates plus a margin for credit risk applicable to the years in which the pledges are to be received. Amortization of the discount is included in support revenue on the statement of activities. The discount will be recognized as support revenue in future fiscal years as the discount is amortized over the duration of the contributions. An allowance for uncollectible contributions received is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Conditional promises to give are not included as support until the conditions are substantially met; funds collected prior to meeting such conditions are recorded as refundable advances in the statement of financial position.

Property and Equipment – Expenditures for property and equipment over \$1,500 are recorded at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows

Buildings	30 years
Land and building improvements	10 - 15 years
Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years
Software	3 years

Revenue Recognition – Revenue received for special events is recognized in the period the underlying event occurs.

Subsequent Events – Management has evaluated events and transactions that have occurred since December 31, 2014 and reflected their effects, if any, in these financial statements through July 16, 2015, the date the financial statements were available to be issued.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

3. 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, 2014:

	<u>Fair Value Measurements at Reporting Date Using</u>	
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Money market funds	\$ 30,741	\$ 30,741
Common stock	203,700	203,700
Mutual funds:		
Equity - domestic	316,325	316,325
Equity - international	135,329	135,329
Fixed income	490,918	490,918
Real assets	120,473	120,473
Alternatives	256,125	256,125
Exchange-traded funds:		
Domestic	58,730	58,730
International	<u>28,015</u>	<u>28,015</u>
Total Investments	<u>\$ 1,640,356</u>	<u>\$ 1,640,356</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

4. INVESTMENT RETURN

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended December 31, 2014:

Interest and dividend income	\$ 71,073
Net realized/unrealized gains on investments	<u>3,438</u>
Total Investment Return	<u>\$ 74,511</u>

5. ENDOWMENT

The Organization's endowment consists of several individual funds established for the purpose of generating income to assure the Organization's survival and helping to defray the cost and expense of its services. 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.

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 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, 2014

5. ENDOWMENT (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 890,030	\$ 890,030
Board-designated endowment funds	750,326	-	750,326
Total Funds	\$ 750,326	\$ 890,030	\$ 1,640,356

Changes in Endowment Net Assets for the Year Ended December 31, 2014:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 773,866	\$ 890,030	\$ 1,663,896
Investment return:			
Interest and dividends, net of fees	45,703		45,703
Net realized and unrealized gains	3,438	-	3,438
Total Investment Return	49,141	-	49,141
Appropriation of endowment assets for expenditure	(72,681)	-	(72,681)
Endowment net assets, end of year	\$ 750,326	\$ 890,030	\$ 1,640,356

Permanently and Temporarily Restricted Net Assets (Endowment only) at December 31, 2014:

Permanently Restricted Net Assets:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

5. ENDOWMENT (continued)

Return Objectives and Risk Parameters – 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.

Strategies Employed for Achieving Objectives – 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.

Spending Policy and How the Investment Objectives Related to Spending Policy – The Organization has a spending policy of appropriating for distribution each month the previous month's net total of dividends, interest, and earnings. 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.

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following unconditional promises to give at December 31, 2014:

Receivable in:	
Less than one year	\$ 111,106
One to five years	<u>28,057</u>
	139,163
Allowance for uncollectible pledges	(19,000)
Present value discount at 7%	<u>(4,562)</u>
Pledges Receivable, net	<u>\$ 115,601</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

7. PLEDGES RECEIVABLE RESTRICTED FOR CAPITAL CAMPAIGN

Pledges receivable restricted for the Organization's capital campaign consisted of the following unconditional promises to give at December 31, 2014:

Receivable in:	
Less than one year	\$ 218,903
One to five years	<u>180,751</u>
	399,654
Present value discount at 4%	<u>(15,305)</u>
Pledges Receivable, net	<u>\$ 384,349</u>

8. CONDITIONAL PROMISES TO GIVE

Conditional promises to give consisted of the following at December 31, 2014:

Community foundation grants conditioned upon meeting ambiguous donor stipulations and allowing donors to unilaterally revoke the grants	\$ <u>195,789</u>
Total Conditional Promises to Give	<u>\$ 195,789</u>

Some of the conditional promises to give remain uncollected; the remainder represents unspent amounts that have been paid by donors and included in refundable advances and deposits on the statement of financial position at December 31, 2014, as follows:

Collected and unspent (refundable advances)	\$ 86,589
Amounts yet to be collected	<u>109,200</u>
Total Conditional Promises to Give	<u>\$ 195,789</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

9. CONTRACTS RECEIVABLE

Contracts receivable consisted of the following at December 31, 2014:

U.S. Department of Justice	\$	105,044
U.S. Dept of Health and Human Services		24,112
U.S. Dept of Housing and Urban Development		7,134
State of Kansas		34,944
Johnson County, KS		9,000
Other		<u>830</u>
Contracts Receivable, net	\$	<u>181,064</u>

10. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

Land	\$	555,000
Land improvements		182,761
Building		3,099,888
Building improvements		642,889
Furniture and fixtures		276,117
Equipment and software		133,270
Construction in progress		<u>148,002</u>
		5,037,927
Less accumulated depreciation		<u>(1,259,491)</u>
Net Property and Equipment	\$	<u>3,778,436</u>

11. LINE OF CREDIT

The Organization paid off and closed two open lines of credit on December 17, 2014. On December 18, 2014, the Organization opened a new \$250,000 line of credit with a fixed interest rate of 3.875%. All outstanding principal and interest is payable upon maturity on December 18, 2017. As of December 31, 2014, \$0 is outstanding. The line of credit is collateralized by real estate.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

11. LINE OF CREDIT (continued)

The Organization is subject to certain restrictive covenants contained in the loan agreement with the bank. At December 31, 2014, the Organization was in violation of two of those covenants, relating to maintaining its primary deposit account with the lender bank and to providing annual financial statements no later than 30 days after each fiscal year-end. The Organization obtained a waiver letter from the lender bank dated June 16, 2015 that delayed the enforcement of the primary deposit account requirement until 2017 and that changed the annual financial statement reporting timeframe to 90 days after each fiscal year-end.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014:

Time Restrictions:

Pledges Receivable \$ 46,790

Time and Purpose Restrictions:

Pledges Receivable – Capital Campaign 384,349

Purpose Restrictions:

Shelter Services 27,813

Volunteer Program 2,672

Counseling Services 18,952

Community Education Programs 26,072

Children's Program 4,090

Healthcare 17,824

Other Program Services 51,803

Capital Campaign 1,313,413

Total Purpose Restrictions 1,462,639

Total Temporarily Restricted Net Assets \$ 1,893,778

Capital Campaign Funds Received 1,313,413

Capital Campaign Pledges Outstanding 384,349

Total Capital Campaign Restrictions 1,697,762

Total Other Restrictions 196,016

Total Temporarily Restricted Net Assets \$ 1,893,778

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

12. TEMPORARILY RESTRICTED NET ASSETS (continued)

The following are sources of net assets released from temporary donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of events specified by donors:

Shelter Services	\$ 144,982
Volunteer Program	7,910
Transitional Living	24,857
Counseling Services	153,907
Court and Legal Advocacy Services	8,302
Community Education Programs	71,825
Children's Program	103,126
Outreach	19,805
Healthcare	65,925
Other Program Services	7,943
Capital Campaign	<u>369,207</u>
Total Purpose Restrictions	977,789
Pledges Receivable Restricted for Future Periods	40,606
Pledges Receivable Restricted for Future Periods – Capital Campaign	<u>564,297</u>
Total Time Restrictions	<u>604,903</u>
Net Assets Released from Restrictions	<u>\$ 1,582,692</u>

13. 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 year ended December 31, 2014.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

14. LEASE COMMITMENTS

The Organization leases office 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>	
2015	\$ 10,932
2016	<u>5,466</u>
Total Minimum Lease Payments	<u>\$ 16,398</u>

The Organization incurred rent expense of \$13,842 for the year ended December 31, 2014.

15. CONCENTRATION OF CREDIT RISK OF REVENUE SOURCES AND RECEIVABLES

In 2014, approximately 15% and 9% of total revenue was generated from federal and state government grants, respectively. As of December 31, 2014, 75%, and 19%, of contracts receivable were due from federal and state government grants, respectively.

SUPPLEMENTARY INFORMATION

SAFEHOME, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2014

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	\$ 122,101
Edward J. Bryne Memorial Justice Assistance Grant Program	16.738	<u>2,664</u>
		124,765
Pass through from State of Kansas Office of the Governor:		
Victims of Crime Act Grant	16.575	220,346
Violence Against Women Act Grant	16.588	<u>63,487</u>
		283,833
Federal Violence Prevention and Services Grant (pass through from State of Kansas Office of the Governor)	93.671	<u>114,127</u>
		114,127
U.S. Department of Housing and Urban Development:		
Supportive Housing Program	14.235	67,185
Community Development Block Grant	14.218	<u>85,743</u>
		<u>152,928</u>
Total Expenditures of Federal Awards		<u>\$ 675,653</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, 2014, 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 16, 2015.

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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

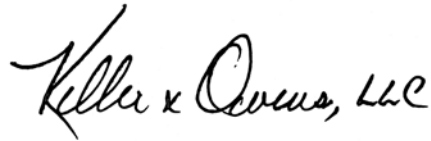
As part of obtaining reasonable assurance about whether **SAFEHOME, Inc.**'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-001.

SAFEHOME, Inc.'s Response to Findings

SAFEHOME, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **SAFEHOME, Inc.**'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 16, 2015



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, 2014. **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, 2014.

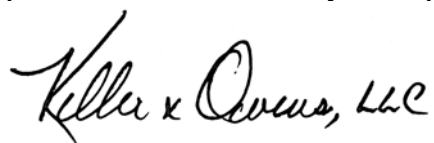
Report on Internal Control Over Compliance

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 16, 2015

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2014

Financial Statement Findings

FINDING 2014-001 – Valuation of Donated Materials

Type of finding - Financial Statement

Condition

During our testing of noncash contributions regarding donated materials, we noted that values were indicated on the Organization's copy of the donor acknowledgment receipts. These values appeared to have been provided or assigned by the donor. Further, it appeared as though these donor-assigned values were the valuation used for input into the Organization's general ledger. Further, some items drastically differed in terms of their valuation, even though they might have been of the same or similar quality. Upon further investigation, there appears to be no controls over valuation beyond the intake process.

Cause

The Organization did not have adequate policies and procedures for valuing and recording donated materials.

Effect

By providing or giving the appearance of providing values to donors, the Organization could inadvertently be held partially responsible by the IRS for improper values being reported by donors on their income tax returns. Additionally, improper and inconsistent valuations for recording into the general ledger could potentially materially misstate the financial statements.

Criteria

IRS Publication 1771 *Charitable Contributions – Substantiation and Disclosure Requirements* states:

“A donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. An organization that does not acknowledge a contribution incurs no penalty; but, without a written acknowledgment, the donor cannot claim the tax deduction. Although it is a donor's responsibility to obtain a written acknowledgment, an organization can assist a donor by providing a timely, written statement containing the following information:

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

For the Year Ended December 31, 2014

Financial Statement Findings (continued)

FINDING 2014-001 – Valuation of Donated Materials (continued)

1. Name of the organization
2. Amount of cash contribution
3. Description (but not the value) of non-cash contribution
4. Statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution”

FASB ASC 958-605-30-11 states:

“Gifts in kind that can be used or sold shall be measured at fair value. In determining fair value, entities should consider the quality and quantity of the gifts.”

FASB ASC 958-605-30-9 states:

“Inputs for measuring fair value of contributed inventory items may be obtained from published catalogs, vendors, independent appraisals, and other sources. If methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales, can reduce the cost of measuring the fair value of inventory, use of those methods is appropriate, provided the methods are applied consistently, and the results of applying those methods are reasonably expected not to be materially different from the results of a detailed measurement of the fair value of contributed inventory.”

Recommendation

We recommend that the Organization adopt a policy regarding how donated materials should be valued, such as using the Donation Value Guide publicly available from The Salvation Army website, which describes a low and high thrift value for a wide range of items that might be potentially donated.

We recommend that the Organization implement procedures and controls relative to this policy in order to ensure that:

- the Organization is not providing to or is being provided a value from the donor
- minimum documentation requirements for donor receipts are met. For noncash contributions of materials valued at less than \$250, the minimum documentation includes:
 - the donor’s name
 - the Organization’s name
 - the date and location of the contribution
 - a reasonably detailed description of the materials

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

For the Year Ended December 31, 2014

Financial Statement Findings (continued)

FINDING 2014-001 – Valuation of Donated Materials (continued)

- an internal, independent valuation is performed and reconciled to the Organization's copy of the intake receipts
- the resulting valuation is reviewed by an appropriate official and that an indication of such review be documented
- the total of the internal valuation is recorded in the general ledger on a set frequency, such as monthly or quarterly (procedures and controls for preparing, recording, and reviewing journal entries should also be followed)

SAFEHOME, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2013

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



CORRECTIVE ACTION PLAN
Year Ended December 31, 2014

FINDING 2014-001 – Valuation of Donated Materials

The Organization has reviewed its policies and procedures, and is in the process of implementing the needed changes and providing training to staff and volunteers.

Jamie M. Wangel
Name
President / CEO
Title
July 20, 2015
Date