

SAFEHOME, INC.

FINANCIAL STATEMENTS

**Years Ended December 31, 2016 and 2015
with
Independent Auditors' Report**

SAFEHOME, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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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 Kansas nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

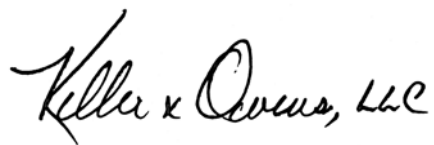
Other Matters

Other Information

Our audits were 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 June 27, 2017, 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.

Handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas
June 27, 2017

SAFEHOME, INC.

STATEMENTS OF FINANCIAL POSITION December 31, 2016 and 2015

ASSETS

| | 2016 | 2015 |
|---|------------------|------------------|
| Cash and Cash Equivalents | \$ 331,777 | \$ 443,320 |
| Cash and Cash Equivalents, Restricted for Capital Campaign | 746,324 | 1,081,704 |
| Certificates of Deposit, at cost | 288,637 | 288,637 |
| Certificates of Deposit, at cost, Restricted for Capital Campaign | 300,000 | - |
| Investments | 1,538,696 | 1,535,517 |
| Pledges Receivable, net | 75,502 | 78,489 |
| Pledges Receivable, net, Restricted for Capital Campaign | 23,508 | 165,554 |
| Grants Receivable, no Allowance for Doubtful Accounts | 282,576 | 198,696 |
| Other Receivables | 1,196 | 444 |
| Prepaid Expenses | 22,434 | 5,206 |
| Inventory | 67,711 | 68,788 |
| Property and Equipment, net | 3,576,753 | 3,706,550 |
| Total Assets | \$ 7,255,114 | \$ 7,572,905 |

LIABILITIES AND NET ASSETS

| | | |
|--|------------------|------------------|
| Liabilities: | | |
| Accounts payable | \$ 37,283 | \$ 43,447 |
| Accrued payroll and related liabilities | 144,257 | 134,548 |
| Refundable advances and deposits | 69,492 | 61,350 |
| Total Liabilities | 251,032 | 239,345 |
| Net Assets: | | |
| Unrestricted: | | |
| Board designated - endowment | 648,666 | 645,487 |
| Board designated - operating reserve | 376,317 | 351,535 |
| Net investment in property and equipment | 3,576,753 | 3,706,550 |
| Undesignated | 221,769 | 212,680 |
| Total Unrestricted | 4,823,505 | 4,916,252 |
| Temporarily Restricted: | | |
| Capital campaign | 1,069,832 | 1,247,258 |
| Other | 220,715 | 280,020 |
| Total Temporarily Restricted | 1,290,547 | 1,527,278 |
| Permanently Restricted - Endowment | 890,030 | 890,030 |
| Total Net Assets | 7,004,082 | 7,333,560 |
| Total Liabilities and Net Assets | \$ 7,255,114 | \$ 7,572,905 |

See accompanying notes

SAFEHOME, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Support and Revenue: | | | | |
| Contributions: | | | | |
| Foundations | \$ 162,919 | \$ 434,771 | \$ - | \$ 597,690 |
| Individuals | 262,820 | 52,690 | - | 315,510 |
| Corporations | 77,661 | - | - | 77,661 |
| Religious and service organizations | 32,589 | 27,480 | - | 60,069 |
| United Way and other federated fundraising organizations | 52,435 | 129,588 | - | 182,023 |
| Capital Campaign | - | 4,022 | - | 4,022 |
| In-kind | 383,839 | - | - | 383,839 |
| Government Grants: | | | | |
| Federal | 959,774 | - | - | 959,774 |
| State | 402,597 | - | - | 402,597 |
| Local | 58,019 | - | - | 58,019 |
| Special Events | 312,178 | - | - | 312,178 |
| Investment Return | 84,880 | - | - | 84,880 |
| Other Income | (5,504) | - | - | (5,504) |
| Net Assets Released from Restriction | <u>862,223</u> | <u>(862,223)</u> | - | - |
| Total Support and Revenue | 3,646,430 | (213,672) | - | 3,432,758 |
| Expenses: | | | | |
| Program Services: | | | | |
| Shelter | 1,320,313 | - | - | 1,320,313 |
| Counseling | 602,313 | - | - | 602,313 |
| Outreach | 800,866 | - | - | 800,866 |
| Children's | 147,329 | - | - | 147,329 |
| Transitional Living | <u>113,388</u> | <u>-</u> | <u>-</u> | <u>113,388</u> |
| | 2,984,209 | - | - | 2,984,209 |
| Supporting Services: | | | | |
| Administration | 396,079 | - | - | 396,079 |
| Development | <u>358,889</u> | <u>-</u> | <u>-</u> | <u>358,889</u> |
| | <u>754,968</u> | <u>-</u> | <u>-</u> | <u>754,968</u> |
| Total Expenses | 3,739,177 | - | - | 3,739,177 |
| Loss on Uncollectible Pledges | <u>-</u> | <u>23,059</u> | <u>-</u> | <u>23,059</u> |
| Total Expenses and Losses | <u>3,739,177</u> | <u>23,059</u> | <u>-</u> | <u>3,762,236</u> |
| Change in Net Assets | (92,747) | (236,731) | - | (329,478) |
| Net Assets at Beginning of Year | <u>4,916,252</u> | <u>1,527,278</u> | <u>890,030</u> | <u>7,333,560</u> |
| Net Assets at End of Year | <u>\$ 4,823,505</u> | <u>\$ 1,290,547</u> | <u>\$ 890,030</u> | <u>\$ 7,004,082</u> |

See accompanying notes

SAFEHOME, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| Support and Revenue: | | | | |
| Contributions: | | | | |
| Foundations | \$ 179,958 | \$ 427,993 | \$ - | \$ 607,951 |
| Individuals | 215,707 | 63,270 | - | 278,977 |
| Corporations | 109,837 | 32,500 | - | 142,337 |
| Religious and service organizations | 67,480 | 23,575 | - | 91,055 |
| United Way and other federated fundraising organizations | 54,110 | 138,453 | - | 192,563 |
| Capital Campaign | - | 30,331 | - | 30,331 |
| In-kind | 292,620 | - | - | 292,620 |
| Government Grants: | | | | |
| Federal | 615,795 | - | - | 615,795 |
| State | 408,388 | - | - | 408,388 |
| Local | 76,182 | - | - | 76,182 |
| Special Events | 225,543 | - | - | 225,543 |
| Investment Return | (44,158) | - | - | (44,158) |
| Other Income | 899 | - | - | 899 |
| Net Assets Released from Restriction | <u>1,054,600</u> | <u>(1,054,600)</u> | - | - |
| Total Support and Revenue | 3,256,961 | (338,478) | - | 2,918,483 |
| Expenses: | | | | |
| Program Services: | | | | |
| Shelter | 1,205,281 | - | - | 1,205,281 |
| Counseling | 533,859 | - | - | 533,859 |
| Outreach | 621,285 | - | - | 621,285 |
| Children's | 150,444 | - | - | 150,444 |
| Transitional Living | 110,666 | - | - | 110,666 |
| | <u>2,621,535</u> | - | - | 2,621,535 |
| Supporting Services: | | | | |
| Administration | 376,055 | - | - | 376,055 |
| Development | 356,915 | - | - | 356,915 |
| | <u>732,970</u> | - | - | 732,970 |
| Total Expenses | 3,354,505 | - | - | 3,354,505 |
| Loss on Uncollectible Pledges | - | 28,022 | - | 28,022 |
| Total Expenses and Losses | <u>3,354,505</u> | <u>28,022</u> | - | <u>3,382,527</u> |
| Change in Net Assets | (97,544) | (366,500) | - | (464,044) |
| Net Assets at Beginning of Year | <u>5,013,796</u> | <u>1,893,778</u> | <u>890,030</u> | <u>7,797,604</u> |
| Net Assets at End of Year | <u>\$ 4,916,252</u> | <u>\$ 1,527,278</u> | <u>\$ 890,030</u> | <u>\$ 7,333,560</u> |

See accompanying notes

SAFEHOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2016

| | Program Services | | | | | Supporting Services | | | |
|-------------------------------------|---------------------|-------------------|-------------------|-------------------|------------------------|---------------------|-------------------|-------------------|---------------------|
| | Shelter | Counseling | Outreach | Children's | Transitional Living | Total Program | Administration | Development | Total |
| Salary and Wages | \$ 534,250 | \$ 386,074 | \$ 528,410 | \$ 99,430 | \$ 40,782 | \$ 1,588,946 | \$ 238,384 | \$ 180,577 | \$ 2,007,907 |
| Client Assistance | 423,836 | 1,584 | 44,946 | 8,365 | 60,503 | 539,234 | - | - | 539,234 |
| Payroll Taxes and Employee Benefits | 89,888 | 77,994 | 117,662 | 16,887 | 9,299 | 311,730 | 33,875 | 9,254 | 354,859 |
| Depreciation | 95,887 | 46,920 | 26,850 | 7,954 | - | 177,611 | 23,449 | 22,229 | 223,289 |
| Occupancy | 90,233 | 26,067 | 18,637 | 1,260 | 669 | 136,866 | 14,273 | 20,766 | 171,905 |
| Contract Labor | 14,684 | 13,724 | 4,708 | 838 | - | 33,954 | 4,340 | 40,295 | 78,589 |
| Office Supplies and Expenses | 22,542 | 17,900 | 12,380 | 1,288 | - | 54,110 | 8,064 | 3,779 | 65,953 |
| Materials and Supplies | 490 | 2,158 | 2,153 | 758 | 36 | 5,595 | 552 | 58,376 | 64,523 |
| Telephone and Internet | 17,382 | 7,021 | 5,592 | 141 | - | 30,136 | 4,841 | 3,972 | 38,949 |
| Professional Fees | 1,350 | 976 | 1,335 | 251 | 103 | 4,015 | 25,271 | 456 | 29,742 |
| Bank and Investment Fees | - | - | - | - | - | - | 19,932 | 5,603 | 25,535 |
| Dues and Subscriptions | 5,133 | 6,181 | 6,039 | 784 | 321 | 18,458 | 3,207 | 1,949 | 23,614 |
| Travel | 4,560 | 1,062 | 14,236 | 1,373 | 551 | 21,782 | 646 | 238 | 22,666 |
| Other Personnel Costs | 2,131 | 5,363 | 3,665 | 230 | 32 | 11,421 | 10,325 | 223 | 21,969 |
| Printing | 7,375 | 3,356 | 2,900 | 560 | 30 | 14,221 | 1,743 | 5,229 | 21,193 |
| Insurance | 4,334 | 2,141 | 4,434 | 376 | 906 | 12,191 | 4,448 | 1,545 | 18,184 |
| Postage | 1,934 | 1,018 | 698 | 126 | 105 | 3,881 | 984 | 1,458 | 6,323 |
| Miscellaneous | 4,304 | 2,774 | 6,221 | 6,708 | 51 | 20,058 | 1,745 | 2,940 | 24,743 |
| Total Expenses | <u>\$ 1,320,313</u> | <u>\$ 602,313</u> | <u>\$ 800,866</u> | <u>\$ 147,329</u> | <u>\$ 113,388</u> | <u>\$ 2,984,209</u> | <u>\$ 396,079</u> | <u>\$ 358,889</u> | <u>\$ 3,739,177</u> |

See accompanying notes

SAFEHOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2015

| | Program Services | | | | | Supporting Services | | | Total |
|-------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| | Shelter | Counseling | Outreach | Children's | Transitional Living | Total Program | Administration | Development | |
| Salary and Wages | \$ 456,160 | \$ 350,141 | \$ 459,270 | \$ 88,331 | \$ 66,691 | \$ 1,420,593 | \$ 206,453 | \$ 172,278 | \$ 1,799,324 |
| Client Assistance | 388,434 | - | - | - | - | 388,434 | 25 | - | 388,459 |
| Payroll Taxes and Employee Benefits | 91,565 | 70,284 | 92,190 | 17,731 | 13,387 | 285,157 | 41,441 | 34,581 | 361,179 |
| Depreciation | 98,756 | 38,835 | 14,063 | 16,320 | 11,244 | 179,218 | 20,680 | 17,371 | 217,269 |
| Occupancy | 71,323 | 26,425 | 13,243 | 8,857 | 9,632 | 129,480 | 15,773 | 24,097 | 169,350 |
| Contract Labor | 26,612 | 10,465 | 3,789 | 4,398 | 3,030 | 48,294 | 5,573 | 27,209 | 81,076 |
| Office Supplies and Expenses | 26,690 | 11,109 | 5,015 | 2,719 | 1,335 | 46,868 | 6,751 | 4,277 | 57,896 |
| Materials and Supplies | 2,152 | 4,694 | 2,136 | 2,433 | 45 | 11,460 | 531 | 44,736 | 56,727 |
| Telephone and Internet | 15,082 | 6,399 | 3,833 | 2,474 | 1,063 | 28,851 | 4,617 | 3,224 | 36,692 |
| Professional Fees | 1,076 | 826 | 1,084 | 208 | 158 | 3,352 | 35,419 | 5,900 | 44,671 |
| Bank and Investment Fees | 39 | - | - | - | - | 39 | 23,634 | 2,090 | 25,763 |
| Dues and Subscriptions | 3,127 | 3,321 | 3,902 | 558 | 420 | 11,328 | 2,781 | 7,632 | 21,741 |
| Travel | 6,072 | 851 | 10,631 | 939 | 853 | 19,346 | 1,430 | 618 | 21,394 |
| Other Personnel Costs | 6,025 | 5,051 | 6,037 | 1,161 | 877 | 19,151 | 2,759 | 2,293 | 24,203 |
| Printing | 5,802 | 1,998 | 1,406 | 795 | 587 | 10,588 | 991 | 5,608 | 17,187 |
| Insurance | 3,340 | 1,313 | 3,365 | 552 | 1,027 | 9,597 | 4,208 | 588 | 14,393 |
| Postage | 984 | 601 | 482 | 57 | 250 | 2,374 | 1,281 | 2,411 | 6,066 |
| Miscellaneous | 2,042 | 1,546 | 839 | 2,911 | 67 | 7,405 | 1,708 | 2,002 | 11,115 |
| Total Expenses | <u>\$ 1,205,281</u> | <u>\$ 533,859</u> | <u>\$ 621,285</u> | <u>\$ 150,444</u> | <u>\$ 110,666</u> | <u>\$ 2,621,535</u> | <u>\$ 376,055</u> | <u>\$ 356,915</u> | <u>\$ 3,354,505</u> |

See accompanying notes

SAFEHOME, INC.

STATEMENTS OF CASH FLOWS Years Ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|--------------|--------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (329,478) | \$ (464,044) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 223,289 | 217,269 |
| Realized and unrealized (gains) losses on investments | (31,067) | 98,199 |
| Loss on disposal of property and equipment | 8,338 | - |
| Loss on uncollectible pledges | 23,059 | 28,022 |
| Contributions restricted for capital campaign | (1,425) | (17,675) |
| (Increase) decrease in: | | |
| Pledges receivable | (11,592) | 37,492 |
| Grants receivable | (83,880) | (17,632) |
| Other receivables | (752) | 953 |
| Prepaid expenses | (17,228) | 1,673 |
| Inventory | 1,077 | (3,504) |
| Increase (decrease) in: | | |
| Accounts payable | (17,827) | (17,256) |
| Accrued payroll and related liabilities | 9,709 | (8,035) |
| Refundable advances and deposits | 8,142 | (50,017) |
| Net Cash Used by Operating Activities | (219,635) | (194,555) |
| Cash Flows from Investing Activities: | | |
| Purchases of certificates of deposit | (486,934) | - |
| Redemptions of certificates of deposit | 186,934 | - |
| Change in assets restricted for capital campaign | 468,946 | 422,102 |
| Purchases of investments | (530,061) | (242,396) |
| Proceeds from sale of investments | 557,949 | 249,036 |
| Purchases of property and equipment | (90,167) | (194,438) |
| Net Cash (Used) Provided by Investing Activities | 106,667 | 234,304 |
| Cash Flows from Financing Activities: | | |
| Contributions received for capital campaign | 1,425 | 17,675 |
| Net Cash Provided by Financing Activities | 1,425 | 17,675 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (111,543) | 57,424 |
| Cash and Cash Equivalents at Beginning of Year | 443,320 | 385,896 |
| Cash and Cash Equivalents at End of Year | \$ 331,777 | \$ 443,320 |

NONCASH INVESTING AND FINANCING ACTIVITIES

| | | |
|--|-----------|------|
| Purchases of Property and Equipment Using Trade Payables | \$ 11,663 | \$ - |
|--|-----------|------|

See accompanying notes

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

1. NATURE OF ORGANIZATION

Organization and Nature of Operations - SAFEHOME, Inc. (the “Organization”) provides shelter, counseling, advocacy and legal 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 19,700 (6% increase over 2015) nights of shelter to 399 women and children fleeing domestic violence in 2016. 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. The Organization provides a full range of advocacy resources, including legal, financial, vocational, and parenting, access to medical care, and counseling of the highest 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 2016, the Organization’s 8 full-time and 3 part-time licensed professional therapists, with the help of 20 interns, provided 1,262 people with 10,768 hours of counseling. English and Spanish-speaking therapists work closely with clients to help them break the cycle of domestic violence. The Organization’s 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. Outreach services include on-site hospital advocacy; financial literacy and economic assistance; bilingual advocacy; court and legal advocacy and rental assistance. The Organization is the only domestic violence agency in Kansas and the Kansas City metro area that has a full-time attorney on staff. The Organization also maintains a 24/7/365 crisis hotline with trained personnel to respond to callers seeking help. The Organization also has an Education & Prevention team that provides community and school-based education. In 2016, they provided education on healthy dating and domestic violence to 12,717 students and adults.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 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. The Organization’s transitional living program provided 8,838 nights of safe housing to 39 individuals in 2016.

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, 2016 and 2015

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 \$588,637 and \$288,637 were held by the Organization at December 31, 2016 and 2015, respectively, and are carried at cost in the statement of financial position. Their original maturity dates range between sixteen months and five years, with interest rates ranging between 1.15% and 1.99% as of December 31, 2016.

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, 2016, the Organization had approximately \$895,000 in deposits in excess of FDIC-insured limits.

Grants Receivable – Grants receivable consists of amounts due from several federal, state, and local governmental agencies on a cost-reimbursement basis and is stated at its 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.

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.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 and 2015 and, accordingly, no liability has been accrued.

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------------|-------------------|
| Materials | \$ 379,151 | \$ 276,459 |
| Services – information technology | 4,688 | 13,640 |
| Services – general contractor | <u>-</u> | <u>2,521</u> |
| Total In-kind Donations | <u>\$ 383,839</u> | <u>\$ 292,620</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. Inventory is stated at estimated fair value at date of donation.

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.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 |

Reclassifications – Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the 2016 presentation.

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, 2016 and reflected their effects, if any, in these financial statements through June 27, 2017, the date the financial statements were available to be issued.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, 2016:

| | <u>Level 1</u> | <u>Total</u> |
|------------------------|-------------------------|-------------------------|
| Money market funds | \$ 27,575 | \$ 27,575 |
| Common stock | 228,082 | 228,082 |
| Mutual funds: | | |
| Equity - domestic | 275,891 | 275,891 |
| Equity - international | 222,810 | 222,810 |
| Fixed income | 563,898 | 563,898 |
| Real assets | 64,266 | 64,266 |
| Alternatives | 102,636 | 102,636 |
| Exchange-traded funds: | | |
| Domestic | 44,605 | 44,605 |
| International | 8,933 | 8,933 |
| Total Investments | <u>\$ 1,538,696</u> | <u>\$ 1,538,696</u> |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

3. 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, 2015:

| | Level 1 | Total |
|------------------------|--------------|--------------|
| Money market funds | \$ 54,104 | \$ 54,104 |
| Common stock | 201,132 | 201,132 |
| Mutual funds: | | |
| Equity - domestic | 323,452 | 323,452 |
| Equity - international | 165,819 | 165,819 |
| Fixed income | 503,244 | 503,244 |
| Real assets | 117,496 | 117,496 |
| Alternatives | 110,802 | 110,802 |
| Exchange-traded funds: | | |
| Domestic | 38,584 | 38,584 |
| International | 20,884 | 20,884 |
| Total Investments | \$ 1,535,517 | \$ 1,535,517 |

4. INVESTMENT RETURN

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

| | 2016 | 2015 |
|--|-----------|-------------|
| Interest and dividend income | \$ 53,813 | \$ 54,041 |
| Net realized and unrealized gains (losses) | 31,067 | (98,199) |
| Total Investment Return | \$ 84,880 | \$ (44,158) |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 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, 2016 and 2015

5. ENDOWMENT (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

| | Unrestricted | Permanently Restricted | Total |
|----------------------------------|--------------|---------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 890,030 | \$ 890,030 |
| Board-designated endowment funds | 648,666 | - | 648,666 |
| Total Funds | \$ 648,666 | \$ 890,030 | \$ 1,538,696 |

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

| | Unrestricted | Permanently Restricted | Total |
|--|--------------|---------------------------|--------------|
| Endowment net assets, beginning of year | \$ 645,487 | \$ 890,030 | \$ 1,535,517 |
| Investment return: | | | |
| Interest and dividends, net of fees | 27,213 | - | 27,213 |
| Net realized and unrealized gains | 31,067 | - | 31,067 |
| Total Investment Return | 58,280 | - | 58,280 |
| Appropriation of endowment assets for expenditure | (55,101) | - | (55,101) |
| Endowment net assets, end of year | \$ 648,666 | \$ 890,030 | \$ 1,538,696 |

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

| | Unrestricted | Permanently Restricted | Total |
|----------------------------------|--------------|---------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 890,030 | \$ 890,030 |
| Board-designated endowment funds | 645,487 | - | 645,487 |
| Total Funds | \$ 645,487 | \$ 890,030 | \$ 1,535,517 |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

5. ENDOWMENT (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

| | Unrestricted | Permanently Restricted | Total |
|--|--------------|---------------------------|--------------|
| Endowment net assets, beginning of year | \$ 750,326 | \$ 890,030 | \$ 1,640,356 |
| Investment return: | | | |
| Interest and dividends, net of fees | 39,078 | - | 39,078 |
| Net realized and unrealized losses | (98,199) | - | (98,199) |
| Total Investment Return | (59,121) | - | (59,121) |
| Appropriation of endowment assets for expenditure | (45,718) | - | (45,718) |
| Endowment net assets, end of year | \$ 645,487 | \$ 890,030 | \$ 1,535,517 |

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

Permanently Restricted Net Assets:

| | 2016 | 2015 |
|--|------------|------------|
| 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 | \$ 890,030 | \$ 890,030 |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

5. ENDOWMENT (continued)

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending strategies, approved by the Board of Directors, for endowment assets. The investment objectives place primary importance on long-term capital appreciation of the Endowment’s assets, and secondarily the preservation of purchasing power after spending. The Organization, over time, expects to meet or exceed the market index or appropriate benchmark that most closely corresponds to the investment style, while incurring equal or less risk. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between investment asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, including money market, fixed income and equity securities. All assets are required to have a readily ascertainable market value, and must be readily marketable. Fixed income securities shall be of investment grade quality, and certain high-risk or alternative investments are prohibited.

Spending Policy – The Organization has a spending policy of appropriating for distribution each month the prior month’s net total earned dividends and interest. In establishing this policy, the Organization considered the long-term expected investment return on its investment assets, and the possible effects of inflation. This is consistent with the Organization’s objectives of achieving long-term capital appreciation, as well as maintaining the purchasing power of the endowment after spending.

6. PLEDGES RECEIVABLE

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

| | <u>2016</u> | <u>2015</u> |
|-------------------------------------|------------------|------------------|
| Receivable in: | | |
| Less than one year | \$ 72,576 | \$ 74,683 |
| One to five years | <u>20,300</u> | <u>24,197</u> |
| | 92,876 | 98,880 |
| Allowance for uncollectible pledges | (15,698) | (16,600) |
| Present value discount at 7% | <u>(1,676)</u> | <u>(3,791)</u> |
| | <u>\$ 75,502</u> | <u>\$ 78,489</u> |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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:

| | 2016 | 2015 |
|-------------------------------------|-----------|------------|
| Receivable in: | | |
| Less than one year | \$ 30,105 | \$ 145,322 |
| One to five years | 1,340 | 32,610 |
| | 31,445 | 177,932 |
| Allowance for uncollectible pledges | (7,885) | (9,729) |
| Present value discount at 4% | (52) | (2,649) |
| Pledges Receivable, net | \$ 23,508 | \$ 165,554 |

8. CONDITIONAL PROMISES TO GIVE

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

| | | |
|---|------------|------------|
| Community foundation grants conditioned upon meeting various donor stipulations and allowing donors to unilaterally revoke the grants | \$ 170,786 | \$ 200,572 |
| Total Conditional Promises to Give | \$ 170,786 | \$ 200,572 |

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, as follows:

| | | |
|---|------------|------------|
| Collected and unspent (refundable advances) | \$ 50,154 | \$ 61,024 |
| Amounts yet to be collected | 120,632 | 139,548 |
| Total Conditional Promises to Give | \$ 170,786 | \$ 200,572 |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

9. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| U.S. Department of Justice | \$ 170,995 | \$ 101,676 |
| U.S. Dept. of Health and Human Services | 24,691 | 20,143 |
| U.S. Dept. of Housing and Urban Development | 34,414 | 25,884 |
| State of Kansas | 27,283 | 41,993 |
| Johnson County, KS | 8,565 | 9,000 |
| Other | <u>16,628</u> | <u>-</u> |
| Grants Receivable | <u>\$ 282,576</u> | <u>\$ 198,696</u> |

10. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

| | | |
|-------------------------------|---------------------|---------------------|
| Land | \$ 555,000 | \$ 555,000 |
| Land improvements | 157,494 | 182,761 |
| Building | 3,099,888 | 3,099,888 |
| Building improvements | 947,449 | 899,908 |
| Furniture and fixtures | 246,655 | 289,284 |
| Equipment and software | 136,271 | 156,469 |
| Construction in progress | <u>9,310</u> | <u>-</u> |
| | 5,152,067 | 5,183,310 |
| Less accumulated depreciation | <u>(1,575,314)</u> | <u>(1,476,760)</u> |
| Net Property and Equipment | <u>\$ 3,576,753</u> | <u>\$ 3,706,550</u> |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

11. LINE OF CREDIT

The Organization has a \$250,000 line of credit with a fixed interest rate of 3.875% collateralized by real estate. All outstanding principal and interest is payable upon maturity on December 18, 2017. As of December 31, 2016 and 2015, there was no balance on the line of credit.

The Organization is subject to certain restrictive covenants contained in the loan agreement with the bank. At December 31, 2016, the Organization was in compliance with those covenants.

12. TEMPORARILY RESTRICTED NET ASSETS

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

| | <u>2016</u> | <u>2015</u> |
|---|-------------------------|-------------------------|
| <u>Time Restrictions:</u> | | |
| Pledges Receivable | \$ 30,260 | \$ 33,257 |
| <u>Time and Purpose Restrictions:</u> | | |
| Pledges Receivable – Capital Campaign | 23,508 | 165,554 |
| <u>Purpose Restrictions:</u> | | |
| Shelter Services | 45,901 | 56,631 |
| Volunteer Program | 4,867 | 5,165 |
| Counseling Services | 43,136 | 35,235 |
| Community Education Programs | 30,924 | 20,801 |
| Healthcare | 19,903 | 20,947 |
| Economic Advocacy | - | 28,933 |
| Transitional Living | 210 | 973 |
| Repairs, maintenance, and technology | 24,487 | 20,315 |
| Staffing and staff training | 21,027 | 57,763 |
| Capital Campaign | <u>1,046,324</u> | <u>1,081,704</u> |
| Total Purpose Restrictions | <u>1,236,779</u> | <u>1,328,467</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 1,290,547</u> | <u>\$ 1,527,278</u> |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2016 and 2015

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:

| | 2016 | 2015 |
|--|------------|--------------|
| Shelter Services | \$ 123,703 | \$ 81,405 |
| Volunteer Program | 6,579 | 8,627 |
| Counseling Services | 221,223 | 203,104 |
| Court and Legal Advocacy Services | 300 | 5,000 |
| Community Education Programs | 44,957 | 44,502 |
| Children's Program | 86,584 | 119,396 |
| Outreach | 1,642 | 5,000 |
| Healthcare | 31,244 | 69,252 |
| Economic Advocacy | 61,030 | 1,067 |
| Transitional Living | 13,052 | 11,316 |
| Repairs, maintenance, and technology | 42,289 | 10,333 |
| Staffing and staff training | 38,235 | 1,892 |
| Capital Campaign | 39,402 | 262,040 |
| Total Purpose Restrictions | 710,240 | 822,934 |
| | | |
| Pledges Receivable Restricted for Future Periods | 18,418 | 41,273 |
| Pledges Receivable Restricted for Future Periods – Capital Campaign | 133,565 | 190,393 |
| Total Time Restrictions | 151,983 | 231,666 |
| | | |
| Net Assets Released from Restriction | \$ 862,223 | \$ 1,054,600 |

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

13. CONCENTRATION OF CREDIT RISK OF REVENUE SOURCES AND RECEIVABLES

In 2016, approximately 28% and 12% of total revenue was generated from federal and state government grants, respectively. As of December 31, 2016, 81%, and 10%, of grants receivable were due from federal and state government grants, respectively.

In 2015, approximately 21% and 14% of total revenue was generated from federal and state government grants, respectively. As of December 31, 2015, 74%, and 21%, of grants receivable were due from federal and state government grants, respectively.

14. 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). Employer contributions to the plan totaled \$13,810 and \$11,929 for the years ended December 31, 2016 and 2015, respectively.

15. LEASE COMMITMENTS

The Organization rents office equipment under non-cancelable operating leases with terms of one to five years. The following is a schedule of future minimum rentals:

| <u>Year ending December 31:</u> | |
|---------------------------------|------------------|
| 2017 | \$ 19,821 |
| 2018 | 19,821 |
| 2019 | 19,821 |
| 2020 | 19,821 |
| 2021 | <u>9,911</u> |
| Total | <u>\$ 89,195</u> |

Rent expense related to these leases approximated \$15,377 and \$14,349 for the years ended December 31, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

SAFEHOME, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2016

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|----------------|---|-------------------------|
| U.S. Department of Justice: | | | |
| Pass through from State of Kansas | | | |
| Office of the Governor: | | | |
| Edward J. Bryne Memorial Justice Assistance Grant Program | 16.738 | 2016-M4-BX-0342 | \$ 4,609 |
| Edward J. Bryne Memorial Justice Assistance Grant Program | 16.738 | 2014-MU-BX-0001 | 16,550 |
| Victims of Crime Act Grant | 16.575 | 2016-VA-GX-0040 | 159,016 |
| Victims of Crime Act Grant | 16.575 | 2015-VA-GX-0027 | 456,321 |
| Violence Against Women Act Grant | 16.588 | 2015-WF-AX-0042 | <u>38,785</u> |
| | | | 675,281 |
| U.S. Department of Health and Human Services | | | |
| Pass through from State of Kansas | | | |
| Office of the Governor: | | | |
| Violence Prevention and Services Grant | 93.671 | 1602KSFVPS | 33,238 |
| Violence Prevention and Services Grant | 93.671 | 1502KSFVPS | <u>88,037</u> |
| | | | 121,275 |
| U.S. Department of Housing and Urban Development: | | | |
| Supportive Housing Program | 14.235 | | 113,120 |
| Pass through from Johnson County, KS: | | | |
| Community Development Block Grant | 14.218 | B-16-UC-20-0001 | 29,125 |
| Pass through from City of Overland Park, KS: | | | |
| Community Development Block Grant | 14.218 | B-16-UC-20-0001 | 11,663 |
| Pass through from City of Overland Park, KS: | | | |
| Community Development Block Grant | 14.218 | B-14-MC-20-0002 | <u>9,310</u> |
| | | | <u>163,218</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 959,774</u> |

See accompanying notes to schedule of expenditures of federal awards

SAFEHOME, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (“the Schedule”) includes the federal award activity of **SAFEHOME, Inc.** under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of **SAFEHOME, Inc.**, it is not intended to and does not present the financial position, changes in net assets, or cash flows of **SAFEHOME, Inc.**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

SAFEHOME, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. SUBRECIPIENTS

No awards were passed through to subrecipients.



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, 2016, 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 June 27, 2017.

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 **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.

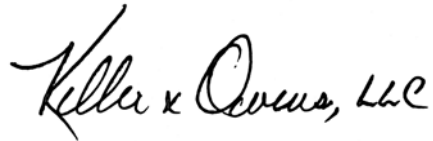
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
June 27, 2017



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. **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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

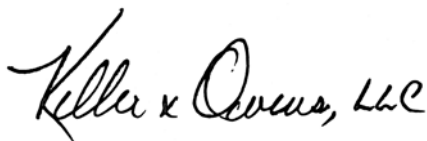
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Overland Park, Kansas
June 27, 2017

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance to GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified? _____ 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 deficiency(s) identified? _____ Yes X None reported

Type of auditors' report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 16.575 | Victims of Crime Act Grant |

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

SAFEHOME, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Section II – Financial Statement Findings.

None reported.

Section III – Federal Award Findings and Questioned Costs.

None reported.

SAFEHOME, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2016

Neither an audit in accordance with *Government Auditing Standards* nor a Single Audit was required for the year ended December 31, 2015. Therefore, there were no prior audit findings.