

Family Tree, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018

Family Tree, Inc.
June 30, 2019 and 2018

Contents

Independent Auditor’s Report on Financial Statements and Supplementary Information	1	
 Financial Statements		
Statement of Financial Position.....	3	
Statement of Activities	4	
Statement of Functional Expenses.....	5	
Statement of Cash Flows	6	
Notes to Financial Statements	7	
 Schedule of Expenditures of Federal Awards		22
Notes to Schedule of Expenditures of Federal Awards.....	24	
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> – Independent Auditor’s Report.....		25
 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance – Independent Auditor’s Report.....		27
 Schedule of Findings and Questioned Costs.....		29
 Summary Schedule of Prior Audit Findings.....		32

Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Directors
Family Tree, Inc.
Wheat Ridge, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Family Tree, Inc. (Family Tree) which comprise the statement of financial position as of June 30, 2019, 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.

Auditor's 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 auditor's 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 auditor considers 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 Family Tree, Inc. as of June 30, 2019, and the changes in its net assets and its cash

Board of Directors
Family Tree, Inc.

flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019, Family Tree adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our 2019 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, consisting of the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as listed in the table of contents, 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 October 24, 2019, on our consideration of Family Tree's internal control over financial reporting and 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 the 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 Family Tree's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 24, 2019

Family Tree, Inc.
Statement of Financial Position
Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,208,744	\$ 1,779,068
Receivables, net of allowance	641,401	767,669
Investments	359,345	222,566
Inventory	25,559	23,716
Prepayments and other	30,998	29,431
Property and equipment, net	1,821,982	1,792,175
Donated building, net	2,775,140	-
Beneficial interest in Community First Foundation	257,090	258,568
	<u>\$ 8,120,259</u>	<u>\$ 4,873,193</u>
Total assets		
Liabilities		
Accounts payable	\$ 57,943	\$ 69,872
Accrued liabilities	441,500	408,291
Other liabilities	3,195	4,012
Deferred revenue	87,445	74,000
Notes payable	424,119	457,750
	<u>1,014,202</u>	<u>1,013,925</u>
Total liabilities		
Net Assets		
Without donor restrictions		
Undesignated	3,748,269	3,336,633
With donor restrictions		
Perpetual in nature	174,917	174,917
Time restricted for future periods	2,808,490	77,484
Purpose restrictions	374,381	270,234
	<u>7,106,057</u>	<u>3,859,268</u>
Total net assets		
Total liabilities and net assets	<u>\$ 8,120,259</u>	<u>\$ 4,873,193</u>

Family Tree, Inc.
Statement of Activities
Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Financial Information
Revenue				
Contributions and grants				
Federal government grants	\$ 2,454,828	\$ -	\$ 2,454,828	\$ 2,561,632
Other government grants	1,170,724	-	1,170,724	1,191,156
Foundations grants	320,822	310,566	631,388	445,454
Corporation and individual contributions	398,288	42,576	440,864	446,654
Donated building	-	2,822,176	2,822,176	-
In-kind contributions	257,647	-	257,647	206,936
Mile High United Way	56,250	-	56,250	112,500
Total contributions and grants	<u>4,658,559</u>	<u>3,175,318</u>	<u>7,833,877</u>	<u>4,964,332</u>
Special events	186,600	-	186,600	200,762
Less direct benefit to attendees	<u>(55,144)</u>	<u>-</u>	<u>(55,144)</u>	<u>(55,874)</u>
	<u>131,456</u>	<u>-</u>	<u>131,456</u>	<u>144,888</u>
Program service fees	1,812,265	-	1,812,265	1,664,433
Rental and other income	88,937	-	88,937	97,256
Treasure Trunk Thrift Store	324,960	-	324,960	302,781
Investment return, net	33,873	-	33,873	(1,609)
Change in beneficial interest in net assets of Community First Foundation	<u>-</u>	<u>10,784</u>	<u>10,784</u>	<u>13,311</u>
	<u>7,050,050</u>	<u>3,186,102</u>	<u>10,236,152</u>	<u>7,185,392</u>
Net assets released from restrictions	<u>350,949</u>	<u>(350,949)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>7,400,999</u>	<u>2,835,153</u>	<u>10,236,152</u>	<u>7,185,392</u>
Expenses				
Program services				
Homelessness program	2,008,198	-	2,008,198	1,989,934
GOALS program	116,378	-	116,378	-
House of Hope shelter	469,512	-	469,512	477,837
Roots of Courage shelter and clinic	524,140	-	524,140	502,435
Domestic violence support services	1,037,233	-	1,037,233	981,745
Child and youth services	1,272,447	-	1,272,447	1,191,632
Treasure Trunk Thrift Store	327,008	-	327,008	287,703
Property management	28,432	-	28,432	31,339
Total program expenses	<u>5,783,348</u>	<u>-</u>	<u>5,783,348</u>	<u>5,462,625</u>
Supporting services				
General and administration	669,338	-	669,338	758,312
Funds development	536,677	-	536,677	501,695
Total supporting services expenses	<u>1,206,015</u>	<u>-</u>	<u>1,206,015</u>	<u>1,260,007</u>
Total expenses	<u>6,989,363</u>	<u>-</u>	<u>6,989,363</u>	<u>6,722,632</u>
Change in Net Assets From Operations	<u>411,636</u>	<u>2,835,153</u>	<u>3,246,789</u>	<u>462,760</u>
Gain on Disposal of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,611</u>
Change in Net Assets	<u>411,636</u>	<u>2,835,153</u>	<u>3,246,789</u>	<u>644,371</u>
Net Assets, Beginning of Year	<u>3,336,633</u>	<u>522,635</u>	<u>3,859,268</u>	<u>3,214,897</u>
Net Assets, End of Year	<u>\$ 3,748,269</u>	<u>\$ 3,357,788</u>	<u>\$ 7,106,057</u>	<u>\$ 3,859,268</u>

Family Tree, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	Program Services							Supporting Services					2018 Total Expenses
	Housing and Family Stabilization Services			Domestic Violence Services				Total Program Expenses	General and Administration	Funds Development	Total Expenses		
	Homelessness Program	GOALS Program	House of Hope Shelter	Roots of Courage Shelter and Clinic	Domestic Violence Support Services	Child and Youth Services	Treasure Trunk Thrift Store					Property Management	
Salaries and benefits	\$ 596,642	\$ 34,421	\$ 306,019	\$ 369,978	\$ 819,086	\$ 1,014,982	\$ 204,385	\$ 153,477	\$ 3,498,990	\$ 741,760	\$ 335,911	\$ 4,576,661	\$ 4,366,103
Contract services	4,890	950	16,905	21,140	-	6,786	(2,750)	953	48,874	69,350	19,655	137,879	134,588
Direct client costs	1,230,576	507	42,939	21,442	57,982	68,071	-	6	1,421,523	-	-	1,421,523	1,432,512
Travel	19,604	337	64	164	7,410	43,741	103	2,221	73,644	889	1,398	75,931	100,405
Building lease and rent	-	-	-	-	1,200	-	67,422	7,741	76,363	-	-	76,363	74,696
Utilities	4,815	17,654	13,632	13,688	5,688	-	8,285	23,444	87,206	-	-	87,206	76,435
Repairs and maintenance	11,829	3,591	17,993	18,789	11,149	-	11,094	45,591	120,036	-	-	120,036	103,628
Supplies and printing	4,594	2,293	1,309	2,700	8,398	9,887	4,036	3,127	36,344	28,744	21,619	86,707	93,154
Telephone and postage	5,273	1,762	4,317	5,210	7,514	7,440	1,980	1,258	34,754	2,141	5,158	42,053	55,689
Insurance	8,717	4,179	7,396	6,245	9,230	4,927	6,414	10,814	57,922	8,173	2,310	68,405	66,579
Staff development, meetings and recruitment	4,488	59	680	6,474	6,011	12,949	471	134	31,266	6,303	761	38,330	25,681
Merchant fees, other fees and dues	5,526	2,568	151	231	3,974	1,875	4,929	257	19,511	9,561	10,919	39,991	39,305
Volunteer and Board	9	-	160	-	-	-	-	-	169	1,301	2,663	4,133	8,150
Outreach	-	80	-	-	-	10,652	643	-	11,375	-	22,848	34,223	11,734
Interest and other	3	-	20	29	360	3	(1,842)	-	(1,427)	25,629	9	24,211	29,823
Facilities and indirect allocations	103,291	941	28,942	42,162	87,175	91,134	18,396	(258,882)	113,159	(224,513)	111,354	-	1
Expenses before depreciation and amortization	2,000,257	69,342	440,527	508,252	1,025,177	1,272,447	323,566	(9,859)	5,629,709	669,338	534,605	6,833,652	6,618,483
Depreciation and amortization	7,941	-	28,985	15,888	12,056	-	3,442	38,291	106,603	-	2,072	108,675	104,149
Depreciation - donated buildings	-	47,036	-	-	-	-	-	-	47,036	-	-	47,036	-
Total expenses	\$ 2,008,198	\$ 116,378	\$ 469,512	\$ 524,140	\$ 1,037,233	\$ 1,272,447	\$ 327,008	\$ 28,432	\$ 5,783,348	\$ 669,338	\$ 536,677	\$ 6,989,363	\$ 6,722,632

Family Tree, Inc.
Statement of Cash Flows
Year Ended June 30, 2019
(With Summarized Financial Information for 2018)

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 3,246,789	\$ 644,371
Items not requiring (providing) cash		
Net realized and unrealized loss (gain) on investments	(12,404)	5,780
Depreciation and amortization	155,711	104,149
Change in beneficial interest in Community First Foundation	(10,784)	(13,311)
Contributed property and equipment	(2,822,175)	-
Loss (gain) on disposal of property	-	(176,066)
Changes in		
Receivables	126,268	96,329
Inventory	(1,843)	(7,266)
Prepayments and other	(1,567)	(10,985)
Accounts payable and accrued liabilities	21,280	112,722
Other liabilities and deferred revenue	12,628	53,132
	<u>713,903</u>	<u>808,855</u>
Investing Activities		
Purchase of investments	(124,375)	(33,275)
Acquisitions of property and equipment	(138,483)	(163,003)
Proceeds from disposal of property	-	233,840
	<u>(262,858)</u>	<u>37,562</u>
Financing Activities		
Net distribution from beneficial interest in Community First Foundation	12,262	12,191
Payments on notes payable	(471,104)	(41,451)
Proceeds from notes payable	437,473	-
	<u>(21,369)</u>	<u>(29,260)</u>
Change in Cash and Cash Equivalents	429,676	817,157
Cash and Cash Equivalents, Beginning of Year	<u>1,779,068</u>	<u>961,911</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,208,744</u>	<u>\$ 1,779,068</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 24,503</u>	<u>\$ 28,740</u>
Noncash Capital and Related Financing Activities		
Contribution of donated asset	<u>\$ 2,822,175</u>	<u>\$ -</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The mission of Family Tree is to help people overcome child abuse, domestic violence, and homelessness to become safe, strong, and self-reliant. Family Tree was founded in 1976 as a cooperative effort with local government, civic, and private agencies to coordinate existing human service resources, and to identify and develop innovative responses for youth and families in Jefferson County. Due to its high-quality services, along with expanding community needs, Family Tree broadened its service area to include the entire seven-county Denver metro region. Family Tree operates utilizing three programmatic pillars of Child and Youth Services, Domestic Violence Services, and Housing and Family Stabilization Services.

Family Tree works with vulnerable populations located in the seven-county Denver metro region. Its clients have histories of poverty, trauma, and/or crisis, which do not fit a specific profile, but internal data has identified the most common client demographic across all programs are family units (77%), of which the majority are female headed households (78%), and have annual income under \$20,000 (62%). During the year ended June 30, 2019, Family Tree assisted 19,237 people; 4,957 through direct services and 14,280 through its crisis/informational hotlines. Through both of its residential facilities, Family Tree provided 20,300 nights of safe shelter to individuals and families.

Family Tree's services include:

Child & Youth Services: Offers community-based education, treatment, crisis intervention, and case management to stabilize families with children and youth in order to prevent and help families overcome child abuse.

- Community Family Resource Team: 120-day home-based therapeutic program designed to keep youth safely in their homes, providing crisis intervention, school-based assistance, and support to stabilize families. During the year ended June 30, 2019, Family Tree assisted 144 at-risk youth with in-home services; 93% were successfully diverted from further child welfare and court system involvement.
- SafeCare Colorado: nationally-recognized, evidence-based in-home program providing direct skills training in parenting, child safety, and health in Adams, Douglas, and Jefferson counties. During the year ended June 30, 2019, 69% of families that participated through intake completed one or more SafeCare topics, proving a significant increase in parenting skills.
- Kinship Programs: home-based financial/supportive services for relative caretakers struggling to maintain stability/housing for children in their care. During the year ended June 30, 2019, nearly 1,300 individuals were provided assistance maintaining stability for children in their care.

Domestic Violence Services: Keeps domestic violence survivors and their children safe through crisis line, emergency shelter, safety planning, legal advocacy, and linkages to community resources. During the year ended June 30, 2019, 9,500 individuals received direct services and assistance through the domestic violence crisis line.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

- **Roots of Courage (formerly Women in Crisis):** provides 45-day confidential shelter, case management, and support for survivors and their children. During the year ended June 30, 2019, 366 survivors of domestic violence received shelter and supportive services. Client surveys showed 98% increased their knowledge of safety strategies and 94% reported increased knowledge of community resources.
- **Legal Advocacy:** increase immediate and long-term safety through civil/criminal legal advocacy and crisis intervention. During the year ended June 30, 2019, 530 clients were served. One-hundred percent (100%) of those surveyed reported they know more about their rights and options.
- **Domestic Violence Outreach:** increase safety/healing, and decrease isolation of victims and their children through advocacy in a safe, community setting. During the year ended June 30, 2019, 178 people were served and 97% of those surveyed reported they feel less alone.
- **Parenting Time Program:** provide a safe environment for children to spend time with nonresidential parent(s). Last fiscal year, services were provided to 768 people, which provided over 3,600 hours of safety for children.

Housing & Family Stabilization Services: Provides individual and family stabilization services through emergency shelter, crisis helpline, homeless prevention services, case management, education, housing and rental assistance and employment services, along with ancillary support for people experiencing homelessness or those at risk of becoming homeless. During the year ended June 30, 2019, 216 households received direct services including rental assistance and case management, and 3,196 people were connected through the crisis helpline.

- **House of Hope:** provides 90-day shelter, case management, and support for homeless women with children. Last year, House of Hope provided emergency residential services to 192 individuals, and 40% of families exiting moved into safe, stable housing.
- **Homelessness Program:** comprehensive support, case management and employment guidance, stabilizing individuals/families and providing access to affordable housing. During the year ended June 30, 2019, 88% of families exiting the Homelessness Program moved into permanent housing. Additionally, 61% of those households who exited maintained or increased their income.
- **Generational Opportunities to Achieve Long-Term Success (GOALS) Program:** New program to begin providing services Fall of 2019. Two-generation program designed to break the intergenerational cycle of poverty and homelessness providing families experiencing homelessness with holistic, wrap-around support including temporary housing for up to nine months and onsite quality early childhood education, work force development, physical and mental health and other support services.

Other Family Tree Programs

- **Treasure Trunk:** is a donation-based community thrift store that offers access to clothing, furniture, and household goods to families and individuals who are on the path towards economic independence. Family Tree provides vouchers usually valued between \$25 and \$250 for Family Tree program participants to gather basic needs items. In the year ended

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

June 30, 2019, 1,625 vouchers were redeemed at Treasure Trunk, totaling \$43,000 in assistance to clients.

- Property Management: provides safe and secure facilities to ensure continuous operation and control of physical facilities owned and/or used for services.

Basis of Presentation

The accompanying financial statements of Family Tree have been prepared on the accrual basis of accounting. Family Tree reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Family Tree considers all liquid investments with original maturities of three months or less that are not part of the investment portfolio to be cash equivalents.

At June 30, 2019, Family Tree's cash accounts exceeded federally insured limits by approximately \$1,910,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Inventory

Inventory consists of materials donated to the Treasure Trunk store and is valued at estimated fair value at the time of donation.

Property and Equipment

Property and equipment acquisitions are recorded at cost, or if contributed, at the fair value at the date of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful life of each asset, from 4 to 40 years, or the related lease term for capital leases. Expenditures for maintenance, repairs or minor replacements are charged to expense. Expenditures for major replacements and betterments in excess of \$5,000 and with a useful life greater than one year are capitalized.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Long-lived Asset Impairment

Family Tree evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No impairment losses were recognized for the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Deferred Revenue

Grants, contracts, and other receipts relating to future periods are deferred and recognized as revenue in the applicable future period when the related services are rendered and expenses are incurred.

Contributions

Contributions are provided to the Family Tree either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on Family Tree overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Expected to be collected within one year	Net realizable value

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Nature of the Gift	Value Recognized
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Contributed Goods, Services and Buildings

Donated goods are recorded in the accompanying financial statements at fair value as of the date of donation.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The value of contributed goods and services included in the financial statements for the years ended June 30, 2019 and 2018, totaled \$257,647 and \$206,936, respectively. The allocation of this amount between goods and services is as follows:

	<u>2019</u>	<u>2018</u>
Goods	\$ 221,572	\$ 179,015
Services	<u>36,075</u>	<u>27,921</u>
	<u>\$ 257,647</u>	<u>\$ 206,936</u>

Contributions of buildings are valued at estimated fair rental value based upon rentals of similar real estate. See Note 7 for donated buildings.

Government Grants

Family Tree receives certain revenues from grants with various governmental agencies. The disbursement of funds received under these grants generally requires compliance with the terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot be presently determined. However, management believes that the effect of any such audits would not have a significant impact on the financial statements; accordingly, no provision has been made in the financial statements for any liability that may result.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Income Taxes

Family Tree has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Family Tree is subject to federal income tax on any unrelated business taxable income. In addition, Family Tree qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under Section 509(a).

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs, management and general, and fund raising functions based on various methods to reflect the effort expended on that program or function. Compensation costs for certain personnel, including executive officers, grants administrators and volunteer coordinators, are allocated based on the estimated time worked in each program or function. Information technology and business insurance costs are allocated based on the average number of full-time equivalent employees in each program. Facilities management costs are allocated to each facility based on average estimated time worked by all facilities personnel at each facility. For facilities housing multiple programs, costs associated with the facility, including facilities maintenance, utilities, copier rental, office supplies, phone and internet costs and depreciation, are allocated based on average number of full-time equivalent employees in each program located in the facility. Facilities costs for facilities housing only one program are direct costed to that program.

Concentration of Credit Risk

Financial instruments that potentially subject Family Tree to concentrations of credit risk consist of money market accounts, investment securities, and mutual funds. Family Tree places its money market accounts with creditworthy, high-quality financial institutions. Investments are made by investment managers engaged by Family Tree and the investments are monitored by management and the Finance Committee. The fair value of investments is subject to fluctuations on a year-to-year basis.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the government entities and organizations from which the amounts are due.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Family Tree's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Self-insurance

Family Tree has elected to self-insure for state unemployment insurance. Family Tree is liable for certain expected losses. Provisions for losses expected under these programs are recorded based upon Family Tree’s estimates of the aggregate liability for claims incurred. For the years ended June 30, 2019 and 2018, \$68,485 and \$68,389 was recorded as a provision for expected losses, respectively, and is included in accrued liabilities on the statement of financial position.

Note 2: Change in Accounting Principle

In 2019, Family Tree adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

The statement of financial position distinguished between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Notes to the Financial Statements

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

This change had no impact on previously reported total change in net assets.

Note 3: Investments and Investment Return

Investments consisted of the following at June 30:

	2019	2018
Money market cash funds	\$ 19,648	\$ 14,322
Equity mutual funds	156,853	99,983
Fixed income funds	143,040	83,481
Marketable alternative investments	39,804	24,780
Total investments	\$ 359,345	\$ 222,566

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Total investment return is comprised of the following:

	2019	2018
Net interest and dividend income	\$ 21,469	\$ 4,171
Net realized and unrealized gains (losses)	12,404	(5,780)
	\$ 33,873	\$ (1,609)

See Note 13 regarding the fair value of investments.

Note 4: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets at year-end available for use within 12 months	
Cash and cash equivalents	\$ 2,208,744
Receivables, net of allowance	641,401
Investments	359,345
	3,209,490
Restrictions	
Restricted funds	(214,732)
Net financial assets after restrictions	2,994,758
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,994,758

Family Tree receives contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Family Tree's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

Family Tree manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Family Tree has set a goal to have operating reserves of 3 to 9 months' expenses. It calculates reserves and monitors them on a monthly basis.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 5: Receivables

Accounts receivable represent amounts due from government grants, program service fee contracts, and amounts to be received under other agreements. Accounts receivable are all due within one year. Contributions receivable represent grants awarded and pledges made before year-end from foundations, corporations and individuals. Contributions receivable include grants and pledges due within one year as well as multi-year pledges.

Family Tree uses the allowance method to determine uncollectible receivables. The allowance method is based on prior years' experience and management's analysis of specific receivable balances.

Receivables consisted of the following as of June 30:

	2019	2018
Accounts receivable - government	\$ 585,044	\$ 647,875
Accounts receivable - other	-	842
Contributions - pledges and grants	62,944	127,287
Allowance for uncollectible accounts	(6,587)	(8,335)
	\$ 641,401	\$ 767,669

Note 6: Beneficial Interest in Community First Foundation

Family Tree participates in the Nonprofit Preservation Challenge Grant Program established by the Community First Foundation (Community First). The purpose of this program is to assist charitable organizations with the formation of funds perpetual in nature. Under the terms and conditions of the grant award, in 2005 Family Tree made irrevocable transfers of restricted funds perpetual in nature to Community First for the Helen's Hope Program (Helen's Hope), which supports domestic violence victims moving out of the Roots of Courage (formerly Women in Crisis) shelter into safe and stable housing. Community First matched contributions received by Family Tree through July 2005 and provides investment management services. Distributions from the fund, per terms of the agreement, will be paid to Family Tree to support the Helen's Hope program. In addition, Family Tree pays Community First a 1% fee for investment management services.

Funds held by Community First for the benefit of Family Tree are recorded as interest in net assets of Community First on the statement of financial position. Family Tree's interest in Community First, including contributions transferred, match, and investment earnings, totaled \$257,090 and \$258,568 at June 30, 2019 and 2018, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 7: Property and Equipment

Property and equipment at June 30 consisted of:

	2019	2018
Buildings and improvements	\$ 3,212,837	\$ 3,029,276
Land and land improvements	640,885	640,885
Furniture, fixtures and equipment	92,891	90,933
Vehicles	68,261	68,261
	4,014,874	3,829,355
Less accumulated depreciation and amortization	(2,192,892)	(2,037,180)
	\$ 1,821,982	\$ 1,792,175

Effective November 1, 2018, Family Tree entered into a long-term lease of four buildings located in Aurora, Colorado on the site of a former non-profit residential campus. Terms include \$100 per year base rent, with an initial lease term of 40 years and four options to extend the term of the lease for an additional 10 years each. The lease also includes an option to purchase the buildings for \$100 and enter into a 99-year ground lease of the underlying land at the time certain redevelopment work on the campus is completed. The property will be used for a new Family Tree program known as Generational Opportunities to Achieve Long-Term Success (GOALS) which will provide housing and supportive services to families overcoming homelessness.

The lease was recorded as a contribution with donor restriction for time with a fair value of \$2,822,176 at the date the lease was executed and classified in the statement of financial position as donated buildings. The donated buildings will be depreciated over the 40-year term on a straight-line basis. Corresponding amounts will also be released from restriction. The balance at June 30, 2019 is \$2,775,140 and is disclosed separately in the statement of financial position.

Note 8: Notes Payable

Notes payable include the following at June 30:

	2019	2018
Note payable	\$ 424,119	\$ 457,750

During 2019, the note payable to Key Bank was paid off using proceeds from a new note payable to Bank of America. The new note payable to Bank of America has an interest rate of 5.45% and matures on January 1, 2034; it is collateralized by certain property and assignment of rents on the related property. Monthly installments are \$3,563.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Future annual maturities of notes payable outstanding are as follows as of June 30:

2020	\$ 19,783
2021	20,952
2022	22,122
2023	23,359
2024	24,614
Thereafter	<u>313,289</u>
	<u>\$ 424,119</u>

Note 9: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Housing and Family Stabilization Services	\$ 185,568	\$ 77,212
Integrated Services	124,000	-
Domestic Violence Services	52,063	189,022
Child and Youth Services	7,750	4,000
Marketing	5,000	-
Restricted for Future Operations	33,350	77,484
Restricted for Future Operations - Donated Building	<u>2,775,140</u>	<u>-</u>
	<u>\$ 3,182,871</u>	<u>\$ 347,718</u>
	<u>2019</u>	<u>2018</u>
Endowment - held in perpetuity		
Helen's Hope	<u>\$ 174,917</u>	<u>\$ 174,917</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Housing and Family Stabilization Services	\$ 92,082	\$ 243,425
Domestic Violence Services	141,447	46,706
Child and Youth Services	250	647
Marketing	15,000	-
Restricted for Future Operations	55,134	91,850
Restricted for Future Operations - Donated Building	47,036	-
	<u>\$ 350,949</u>	<u>\$ 382,628</u>

Note 10: Operating Leases

Family Tree has operating lease commitments for equipment and program facilities spaces requiring monthly payments ranging from approximately \$75 to \$4,333 through February 2023. Future minimum rental payments required for such operating leases at June 30, 2019 are as follows:

2020	\$ 64,948
2021	65,448
2022	65,448
2023	65,223
2024	64,548
Thereafter	<u>5,991</u>
Net present value of minimum lease payments	<u>\$ 331,606</u>

Building lease and rent expense for the years ended June 30, 2019 and 2018 was \$76,363 and \$76,696, respectively.

Note 11: Retirement Plan

Family Tree has a retirement plan (the Plan) under Internal Revenue Code Section 403(b). Employees regularly scheduled to work a minimum of 20 hours per week are eligible to participate in the Plan. The Plan allows for employees to make before-tax or after-tax Roth contributions up to 100% of their annual compensation, as limited annually by the IRS. All contributions to the Plan are fully vested when made. Effective July 1, 2017, Family Tree amended the Plan to include a discretionary employer match. For the years ended June 30, 2019 and 2018, Family Tree made matching contributions to the Plan of \$35,242 and \$30,224, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Note 12: Concentrations

Accounting principles generally accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 18% of all contributions were received from one donor in fiscal year 2019.

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Family Tree did not have Level 3 securities as of June 30, 2019 and 2018.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

	2019			
	Fair Value Measurements Using			
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)	
Money market funds	\$ 19,648	\$ 19,648	\$ -	\$ -
Equity mutual funds	156,853	156,853	-	-
Marketable alternative investments	39,804	39,804	-	-
Fixed income funds	143,040	143,040	-	-
Beneficial interest in Community First	257,090	-	257,090	-
	<u>\$ 616,435</u>	<u>\$ 359,345</u>	<u>\$ 257,090</u>	<u>\$ -</u>

	2018			
	Fair Value Measurements Using			
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)	
Money market	\$ 14,322	\$ 14,322	\$ -	\$ -
Fixed income mutual funds	99,983	99,983	-	-
Short-term investment grade funds	24,781	24,781	-	-
Intermediate term investment grade funds	83,480	83,480	-	-
Beneficial interest in Community First	258,568	-	258,568	-
	<u>\$ 481,134</u>	<u>\$ 222,566</u>	<u>\$ 258,568</u>	<u>\$ -</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

The amounts reported at fair value on a recurring basis are presented on the statement of financial position under the following captions:

	<u>2019</u>	<u>2018</u>
Investments	\$ 359,345	\$ 222,566
Beneficial interest in Community First Foundation	<u>257,090</u>	<u>258,568</u>
	<u>\$ 616,435</u>	<u>\$ 481,134</u>

Note 14: Subsequent Events

Subsequent events have been evaluated through October 24, 2019, which is the date the financial statements were available to be issued.

Supplementary Information

Family Tree, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program			
Supportive Housing Program	14.267	CO0052L8T031710	\$ 345,623
Supportive Housing Program	14.267	CO0052L8T031811	226,094
Supportive Housing Program	14.267	CO0133L8T031601	110,670
Supportive Housing Program	14.267	CO0133L8T031702	492,294
Pass-through programs from			
Volunteers of America Colorado Branch -			
Supporting Housing Program - Youth Transition Project	14.267	CO0059L8T031610	87,930
Supporting Housing Program - Youth Transition Project	14.235	CO0059L8T031611	32,166
Colorado Coalition for the Homeless -			
Rapid Rehousing Demonstration	14.267	CO0031L8T031609	33,778
Rapid Rehousing Demonstration	14.267	None provided	10,081
Colorado Department of Local Affairs -			
Emergency Shelter Grants Program	14.231	MDHIESG-FT418	28,326
Emergency Shelter Grants Program	14.231	MDHIESG-FT419	2,678
Emergency Shelter Grants Program	14.231	H8ESG17923	17,774
Emergency Shelter Grants Program	14.231	H9ESG18923	3,190
Emergency Shelter Grants Program	14.231	H8ESG17961	18,740
Emergency Shelter Grants Program	14.231	H9ESG18961	6,989
Permanent Supportive Housing Program	14.267	H8PSH17079	2,007
Permanent Supportive Housing Program	14.267	H9PSH19015	100,889
Boulder County -			
Continuum of Care	14.267	CO0134L8T031500	2,990
Continuum of Care	14.267	CO0134L8T031500	3,183
Arapahoe County Community Resources -			
Community Development Block Grant	14.218	ENPS1813	20,250
City of Arvada -			
Community Development Block Grant	14.218	B-18-MC-08-0001	15,000
City of Denver -			
HOME Grow Denver	14.239	OEDDEV-201842859-00	34,400
Total U.S. Department of Housing and Urban Development			1,595,052

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Pass-through programs from			
Colorado Department of Human Services			
Family Violence Prevention and Services	93.671	18 IHFA 103693	44,378
Family Violence Prevention and Services	93.671	18 IHFA 112832	47,264
Federal Temporary Assistance for			
Needy Families Block Grant	93.558	18 IHFA 112832	29,492
Jefferson County Community Development			
Jefferson County Department of Human Services			
Community Services Block Grant	93.569	None provided	53,271
Community Services Block Grant	93.569	None provided	17,335
Arapahoe County Department of Social Services			
Temporary Assistance for Needy Families	93.558	None provided	350,040
Adams County Human Services			
Temporary Assistance for Needy Families	93.558	2018.315C	98,969
Total U.S. Department of Health and Human Services			640,749
<u>U.S. Department of Justice</u>			
Pass-through programs from			
Colorado Department of Public Safety, Division of Criminal Justice -			
Violence Against Women Formula Grants	16.575	2016-VA-18-013653-01	90,827
Violence Against Women Formula Grants	16.575	2018-VA-19-108-01	115,217
Total U.S. Department of Justice			206,044
<u>U.S. Department of Agriculture</u>			
Pass-through programs from			
State of Colorado Department of Health & Environment			
Child and Adult Food Care Program	10.558	None provided	9,983
Total U.S. Department of Agriculture			9,983
<u>Federal Emergency Management Agency</u>			
Women in Crisis	97.024	104200-001	3,000
Total Federal Emergency Management Agency			3,000
			\$ 2,454,828

Family Tree, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Tree, Inc. under programs of the federal government for the year ended June 30, 2019. The accompanying notes are an integral part of this Schedule. 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 Family Tree, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Family Tree, Inc.
2. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Family Tree, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. There were no federal awards provided to subrecipients.

**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***

Independent Auditor's Report

Board of Directors
Family Tree, Inc.
Wheat Ridge, Colorado

We have audited, 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, the financial statements of Family Tree, Inc. (Family Tree), which comprise the statement of financial position as of June 30, 2019, 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 October 24, 2019, which contained an emphasis of matter paragraph for new accounting guidance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Family Tree'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 Family Tree's internal control. Accordingly, we do not express an opinion on the effectiveness of Family Tree'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.

Board of Directors
Family Tree, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Family Tree'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 communication 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Tree's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 24, 2019

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Family Tree, Inc.
Wheat Ridge, Colorado

Report on Compliance for Each Major Federal Program

We have audited Family Tree, Inc. (Family Tree'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 Family Tree's major federal programs for the year ended June 30, 2019. Family Tree's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Tree'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 Family Tree'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 Family Tree's compliance.

Board of Directors
Family Tree, Inc.

Opinion on Each Major Federal Program

In our opinion, Family Tree, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Family Tree, 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 Family Tree'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 our 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 Family Tree'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 and 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.

BKD, LLP

Denver, Colorado
October 24, 2019

Family Tree, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal award programs was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? Yes No

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

7. Identification of major programs:

Cluster/Program	CFDA Number
Supporting Housing Program U.S. Department of Housing and Urban Development Volunteers of America Colorado Branch - Youth Transition Project Colorado Coalition for the Homeless - Rapid Rehousing Demonstration Boulder County - Continuum of Care	14.267

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. Auditee qualified as low-risk auditee?

Yes No

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
-----------------------------	----------------	-----------------------------

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
-----------------------------	----------------	-----------------------------

No matters are reportable.

Family Tree, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.