

Family Tree, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2013 and 2012

Family Tree, Inc.
June 30, 2013 and 2012

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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying 2013 financial statements of Family Tree, Inc. (Family Tree) which comprise the statements of financial position as of June 30, 2013, and the related statements of activities 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.

Board of Directors
Family Tree, Inc.

Opinion

In our opinion, the 2013 financial statements referred to above present fairly, in all material respects, the financial position of Family Tree, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2013 financial statements as a whole. The accompanying supplementary information, consisting of the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, 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.

Prior Year Audited by Other Auditors

The 2012 financial statements were audited by other auditors and their report thereon, dated October 18, 2012, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, 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 7, 2013

Family Tree, Inc.
Statements of Financial Position
June 30, 2013
(With Summarized Financial Information for 2012)

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 102,205	\$ 452,713
Receivables, net of allowance		
Program grants	375,313	346,642
Service fees	149,638	292,481
Contributions	103,905	74,793
Other	2,539	3,497
Investments	1,294,787	1,322,487
Inventory	30,200	31,995
Prepayments and other	66,338	59,473
Property and equipment, net	2,214,020	2,260,301
Interest in net assets of Community First Foundation	245,676	227,370
	<u>\$ 4,584,621</u>	<u>\$ 5,071,752</u>
Liabilities		
Accounts payable	\$ 40,465	\$ 57,779
Accrued liabilities	203,623	208,164
Other liabilities	22,039	28,199
Deferred revenue	42,984	259
Capital lease obligations	46,893	62,785
Notes payable	642,253	693,016
	<u>998,257</u>	<u>1,050,202</u>
Net Assets		
Unrestricted	3,142,831	3,621,871
Temporarily restricted	269,036	225,542
Permanently restricted	174,497	174,137
	<u>3,586,364</u>	<u>4,021,550</u>
Total net assets	<u>3,586,364</u>	<u>4,021,550</u>
	<u>\$ 4,584,621</u>	<u>\$ 5,071,752</u>
Total liabilities and net assets	<u>\$ 4,584,621</u>	<u>\$ 5,071,752</u>

Family Tree, Inc.
Statement of Activities
Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Financial Information
Revenue, Gains and Support					
Contributions and grants					
Federal government grants	\$ 1,774,726	\$ -	\$ -	\$ 1,774,726	\$ 1,794,724
Other government grants	820,656	54,012	-	874,668	804,889
Foundations	322,307	77,673	-	399,980	368,000
Donations	505,542	73,830	360	579,732	560,439
In-kind contributions from others	110,784	-	-	110,784	128,013
Mile High United Way	100,000	-	-	100,000	100,000
Total contributions and grants	<u>3,634,015</u>	<u>205,515</u>	<u>360</u>	<u>3,839,890</u>	<u>3,756,065</u>
Special events	135,320	-	-	135,320	154,125
Less direct benefit to attendees	<u>(19,367)</u>	<u>-</u>	<u>-</u>	<u>(19,367)</u>	<u>(27,574)</u>
	<u>115,953</u>	<u>-</u>	<u>-</u>	<u>115,953</u>	<u>126,551</u>
Rental and other income	90,142	-	-	90,142	120,758
Merchandise sales	328,286	-	-	328,286	287,815
Investment return	131,805	-	-	131,805	12,474
Change in interest in net assets of					
Community First Foundation	-	-	-	-	59
Program service fees					
Medicaid and foster care	650,705	-	-	650,705	839,533
Contract	874,076	-	-	874,076	2,116,511
Service	<u>359,946</u>	<u>-</u>	<u>-</u>	<u>359,946</u>	<u>387,028</u>
	6,184,928	205,515	360	6,390,803	7,646,794
Net assets released from restrictions					
Satisfaction of program restrictions	<u>162,021</u>	<u>(162,021)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and support	<u>6,346,949</u>	<u>43,494</u>	<u>360</u>	<u>6,390,803</u>	<u>7,646,794</u>
Expenses					
Program services					
Gemini	1,014,656	-	-	1,014,656	1,025,416
Youth Supportive Services	464,032	-	-	464,032	562,636
Homelessness Programs	1,205,671	-	-	1,205,671	1,351,287
Military/Veteran and Kinship Programs	534,518	-	-	534,518	1,134,372
House of Hope	439,229	-	-	439,229	460,324
Women in Crisis	485,827	-	-	485,827	561,281
Domestic Violence Supportive Services	897,164	-	-	897,164	1,099,803
Property management	145,228	-	-	145,228	175,840
Treasure Trunk store operations	<u>272,992</u>	<u>-</u>	<u>-</u>	<u>272,992</u>	<u>244,295</u>
Total program expenses	<u>5,459,317</u>	<u>-</u>	<u>-</u>	<u>5,459,317</u>	<u>6,615,254</u>
Supporting services					
General and administration	869,019	-	-	869,019	863,965
Fundraising and development	<u>497,653</u>	<u>-</u>	<u>-</u>	<u>497,653</u>	<u>512,674</u>
Total supporting services expenses	<u>1,366,672</u>	<u>-</u>	<u>-</u>	<u>1,366,672</u>	<u>1,376,639</u>
Total expenses	<u>6,825,989</u>	<u>-</u>	<u>-</u>	<u>6,825,989</u>	<u>7,991,893</u>
Gain on sale of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,201</u>
Change in Net Assets	<u>(479,040)</u>	<u>43,494</u>	<u>360</u>	<u>(435,186)</u>	<u>(31,898)</u>
Net Assets, Beginning of Year	<u>3,621,871</u>	<u>225,542</u>	<u>174,137</u>	<u>4,021,550</u>	<u>4,053,448</u>
Net Assets, End of Year	<u>\$ 3,142,831</u>	<u>\$ 269,036</u>	<u>\$ 174,497</u>	<u>\$ 3,586,364</u>	<u>\$ 4,021,550</u>

Family Tree, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

	Program Services									Supporting Services			2012 Total Expenses	
	Child and Youth Services		Housing and Family Stabilization Services			Domestic Violence Services				Total Program Expenses	General and Administration	Fundraising and Development		Total Expenses
	Gemini	Youth Supportive Services	Homelessness Programs	Military/Veteran and Kinship Family Programs	House of Hope	Women in Crisis	Domestic Violence Supportive Services	Property Management	Treasure Trunk Store Operations					
Salaries and benefits	\$ 818,263	\$ 392,467	\$ 446,570	\$ 368,852	\$ 315,394	\$ 350,146	\$ 749,778	\$ 138,683	\$ 182,042	\$ 3,762,195	\$ 620,376	\$ 375,737	\$ 4,758,308	\$ 5,676,539
Contract services	7,700	-	1,696	-	400	-	4,829	-	-	14,625	67,446	33,906	115,977	104,024
Equipment and furnishings	991	-	170	-	1,066	540	-	-	1,207	3,974	3,382	-	7,356	3,790
Direct client costs	38,001	16,183	674,688	133,280	23,778	47,011	2,000	-	51	934,992	1,725	-	936,717	1,097,694
Building lease and rent	22,727	20,652	-	3,032	-	131	131	-	53,100	99,773	3,229	-	103,002	133,892
In-kind expense	-	-	-	4,255	10,470	9,240	40,287	2,040	-	66,292	25,470	19,022	110,784	128,013
Supplies and printing	15,171	1,821	3,255	4,495	4,504	-	11,788	-	3,698	44,732	22,638	26,907	94,277	80,280
Utilities	9,293	-	4,585	-	12,985	12,807	8,145	-	5,994	53,809	33,512	-	87,321	97,319
Interest and other	701	171	-	-	1,004	564	1,181	-	-	3,621	41,075	-	44,696	49,600
Maintenance, repair and equipment rental	19,775	230	14,151	1,136	13,475	22,157	14,771	-	6,954	92,649	37,349	26	130,024	149,194
Insurance	11,747	2,447	4,966	1,856	9,770	3,785	6,569	130	4,764	46,034	16,667	769	63,470	60,541
Staff development, meetings and recruitment	3,882	4,057	4,837	2,253	1,149	1,964	3,569	10	697	22,418	9,922	3,422	35,762	52,541
Travel and transportation	3,779	13,662	10,987	5,930	1,743	2,157	5,632	3,232	1,171	48,293	521	1,611	50,425	77,271
Fees, dues and subscriptions	6,767	2,458	4,359	100	736	446	2,885	-	5,440	23,191	20,384	11,798	55,373	55,216
Telephone and postage	13,618	3,584	6,378	4,049	7,720	7,541	9,535	1,133	540	54,098	8,841	5,991	68,930	72,511
Volunteer and Board	65	-	368	225	278	515	300	-	2,007	3,758	1,306	8,645	13,709	10,720
Merchandise and advertising	-	-	-	111	-	9	391	-	228	739	-	2,907	3,646	2,754
Indirect expense	14,330	6,300	19,454	4,944	6,319	7,028	12,554	-	3,880	74,809	(81,721)	6,912	-	3
Expenses before depreciation and amortization	986,810	464,032	1,196,464	534,518	410,791	466,041	874,345	145,228	271,773	5,350,002	832,122	497,653	6,679,777	7,851,902
Depreciation and amortization	27,846	-	9,207	-	28,438	19,786	22,819	-	1,219	109,315	36,897	-	146,212	139,991
Total expenses	\$ 1,014,656	\$ 464,032	\$ 1,205,671	\$ 534,518	\$ 439,229	\$ 485,827	\$ 897,164	\$ 145,228	\$ 272,992	\$ 5,459,317	\$ 869,019	\$ 497,653	\$ 6,825,989	\$ 7,991,893

Family Tree, Inc.
Statements of Cash Flows
Year Ended June 30, 2013
(With Summarized Financial Information for 2012)

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ (435,186)	\$ (31,898)
Items not requiring (providing) cash		
Net realized and unrealized losses (gains) on investments	(103,272)	14,601
Gain on disposal of property held for sale	-	(313,201)
Depreciation expense	146,210	139,991
Forgiveness of notes payable	(20,000)	(20,000)
Change in interest in net assets of Community First Foundation	(29,316)	(59)
Permanently restricted revenue and support	(360)	(355)
Changes in		
Receivables	86,018	51,861
Inventory	1,795	(5,640)
Prepayments and other	(6,865)	(26,148)
Accounts payable and accrued liabilities	(21,855)	(221,485)
Other liabilities and deferred revenue	36,565	12,104
	<u>(346,266)</u>	<u>(400,229)</u>
Net cash used in operating activities		
Investing Activities		
Purchase of investments	(19,028)	(769,630)
Proceeds from sales of investments	150,000	-
Acquisitions of property and equipment	(99,929)	(40,726)
Proceeds from sale of property	-	1,058,511
	<u>31,043</u>	<u>248,155</u>
Net cash provided by investing activities		
Financing Activities		
Investment in permanent endowment	360	355
Net distribution from interest in net assets of Community First Foundation	11,010	10,498
Payments on notes payable	(30,763)	(171,820)
Proceeds from notes payable	-	175,455
Payments on capital lease obligations	(15,892)	(14,472)
	<u>(35,285)</u>	<u>16</u>
Net cash provided by (used in) financing activities		
Change in Cash and Cash Equivalents	(350,508)	(152,058)
Cash and Cash Equivalents, Beginning of Year	<u>452,713</u>	<u>604,771</u>
Cash and Cash Equivalents, End of Year	<u>\$ 102,205</u>	<u>\$ 452,713</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 44,565</u>	<u>\$ 46,296</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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

Nature of Operations

Family Tree, Inc. (Family Tree) is a not-for-profit corporation organized under the laws of the state of Colorado.

Since 1976, Family Tree has provided innovative, life-changing services designed to end child abuse, domestic violence and homelessness. By addressing the interconnectedness among child abuse, domestic violence and homelessness, Family Tree works to change how individuals, families and communities see, respond to and overcome these challenges. The mission of Family Tree is to help people overcome child abuse, domestic violence, and homelessness to become safe, strong, and self-reliant. This mission is accomplished through the following primary service areas and programs:

Child and Youth Services

Family Tree serves children and adolescents who have been abused or neglected and are not safe in their homes, youth who are homeless on the streets or have run away from home, and youth who are at risk of being removed from their homes due to behavioral problems. Child and Youth Services include:

Gemini Adolescent Treatment Center: An adolescent, residential center providing shelter, counseling, and education for youth ages 11-17 who have been abused, neglected, in family conflict, have runaway or are homeless.

Youth Supportive Services: Family Tree provides a 24-hour crisis referral line and street outreach for youth who have run away from home or are at risk of running from home or being removed from home due to behavioral problems with a primary goal of reunification with their families. In addition, the Community Family Resource Team provides individual and family therapy, case management and crisis intervention for at-risk youth in order to divert the youth from future out-of-home placement and the child welfare system.

Housing and Family Stabilization Services

Family Tree helps adult individuals, youth, and families who are homeless or are at risk of homelessness, or are experiencing economic and family instability to obtain the supportive services they need to address immediate issues, sustain or improve their self-sufficiency, and obtain safe, stable housing. Family Tree assists persons who have very low to no income and are working toward goals to increase their self-sufficiency. Housing and Family Stabilization Services include:

Homeless Programs: Programs that provide client centered case management services, homeless prevention and rapid rehousing services, crisis assistance via a helpline, and affordable transitional housing for low or no-income, homeless individuals and families who are working toward self-sufficiency.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Military/Veteran and Kinship Family Programs: Family Tree provides a range of services to improve the stability of military families, veterans and families with children in the custody of relative caretakers. These programs provide support and resources such as case management, home visits, short-term immediate interventions, financial supportive services and information and referrals.

House of Hope: A residential shelter for homeless women and their children who are working toward self-sufficiency. The facility is the only one of its kind in Arapahoe County and south-metro Denver.

Domestic Violence Services

Family Tree serves adult and child victims of domestic violence, sexual assault, and stalking; families who have experienced the break-up of their homes through divorce or separation; and children who have witnessed family violence and/or have experienced abuse in their homes. Domestic Violence Services include:

Women In Crisis: The only emergency shelter for battered women and their children in Jefferson County, providing safe shelter, a 24-hour crisis line, advocacy, children's programs, an on-site health clinic, community education, and domestic violence support groups.

Domestic Violence Supportive Services: Supportive services for families who have experienced separation, divorce, domestic violence, or other abuse in the home. Services include supervised parenting-time and visitation, safe exchanges of children between their parents, legal advocacy, including protection order and family law clinics, individual and group advocacy, case management, and information and referrals for victims of domestic violence.

Other Family Tree Programs

Property Management: Provides safe and secure facilities so that Family Tree is assured of continuous operation and control of all physical facilities owned and/or used for the agency's services. Property management includes day-to-day maintenance and repair and capital improvement projects.

Treasure Trunk Store: Family Tree's thrift store serves as a clearing house for donations. It provides clothing and household goods at no cost to Family Tree's service recipients and at low prices to the public.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in Family Tree's operations.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Temporarily restricted amounts are contributions restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted net assets are monies that must be maintained permanently by Family Tree as required by the donor and includes amounts held in an endowment fund at Community First Foundation (Community First).

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.

Pursuant to legislation enacted in 2010, the FDIC fully insured all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions. This legislation expired on December 31, 2012. Beginning January 1, 2013, noninterest-bearing transaction accounts are subject to the \$250,000 limit on FDIC insurance per covered institution. At June 30, 2013, Family Tree's cash accounts did not exceed federally insured limits.

Accounts Receivable

Receivables represent program service fees due, donations pledged before year-end, and amounts to be received under grant agreements. 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. The allowance for uncollectible receivables totaled \$10,000 as of June 30, 2013. As of June 30, 2013, all receivables are expected to be collected within one year.

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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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 3 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.

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 asset impairment was recognized during the years ended June 30, 2013 and 2012.

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

Gifts received with donor stipulations are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

Contributed Goods and Services

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

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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 year ended June 30, 2013 totaled \$110,784. The allocation of this amount between goods and services is as follows:

	2013	2012
Goods	\$ 66,974	\$ 69,905
Services	43,810	58,108
	\$ 110,784	\$ 128,013

Government Contracts

Family Tree receives certain revenues from contracts with various governmental agencies. The disbursement of funds received under these contracts 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 contracts 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.

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).

Family Tree files tax returns in the U.S. federal jurisdiction. With a few exceptions, Family Tree is no longer subject to U.S. federal examinations by tax authorities for years before 2010.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

General and administrative expenses that have a direct services component are allocated based on the percentage of certain administrative salaries relative to total salaries in the statements of activities and functional expenses.

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 Board of Directors. 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, 2012, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Note 2: Investments and Investment Return

Investments consisted of the following at June 30:

	2013	2012
	<hr/>	<hr/>
Money market funds	\$ 66,193	\$ 62,803
Large-cap equity mutual funds	314,858	301,554
Mid-cap equity mutual funds	197,814	158,619
Small-cap equity mutual funds	62,759	49,823
S&P 500 equity mutual funds	146,173	121,233
International equity mutual funds	93,209	105,570
Global income mutual funds	27,672	7,636
Short-term investment grade bond funds	44,003	63,853
Intermediate term investment grade bond funds	66,666	81,056
Marketable alternative investments	70,385	-
Treasury and agency bonds	70,669	264,082
High-grade corporate bonds	134,386	106,258
	<hr/>	<hr/>
Total investments	<u>\$ 1,294,787</u>	<u>\$ 1,322,487</u>

Total investment return is comprised of the following:

	2013	2012
	<hr/>	<hr/>
Interest and dividend income	\$ 28,533	\$ 27,075
Net realized and unrealized gains (losses)	103,272	(14,601)
	<hr/>	<hr/>
	<u>\$ 131,805</u>	<u>\$ 12,474</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Note 3: Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	2013		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 63,905	\$ 40,000	\$ 103,905
	2012		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 23,793	\$ 51,000	\$ 74,793

Note 4: Interest in Net Assets of Community First Foundation

Family Tree participates in the Nonprofit Preservation Challenge Grant Program established by Community First. The purpose of this program is to assist charitable organizations with the formation of perpetual endowment funds. Under the terms and conditions of the grant award, Family Tree made irrevocable transfers of permanently restricted funds to Community First. Community First matched contributions received by Family Tree for the Helen's Hope Women in Crisis shelter (Helen's Hope) program 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 \$245,676 and \$227,370 at June 30, 2013 and 2012, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	2013	2012
Buildings and improvements	\$ 2,928,766	\$ 2,850,101
Land and land improvements	635,693	635,693
Furniture, fixtures and equipment	209,065	249,034
Vehicles	68,261	68,261
	3,841,785	3,803,089
Less accumulated depreciation and amortization	(1,627,765)	(1,542,788)
	\$ 2,214,020	\$ 2,260,301

Note 6: Line-of-Credit

Family Tree maintains a secured line-of-credit agreement with a bank. The total amount available on the line-of-credit is \$200,000, with a stated interest rate of 1.0% plus prime (3.25% at June 30, 2013). The line-of-credit matures in November 2013. The line-of-credit is due on demand and can be renewed annually. There was no balance outstanding on this line-of-credit as of June 30, 2013.

Note 7: Capital Lease Obligation

Family Tree has acquired office equipment under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the asset have been capitalized. The lease expires in December 2015. Amortization of the lease property is included in depreciation expense.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Future minimum lease payments as of June 30, 2013 are as follows:

2014	\$ 21,120
2015	21,120
2016	<u>10,560</u>
	52,800
Less interest	<u>(5,907)</u>
Net present value of minimum lease payments	<u>\$ 46,893</u>

The asset under capital lease has a cost and accumulated amortization as of June 30 as follows:

	<u>2013</u>	<u>2012</u>
Equipment	\$ 84,000	\$ 84,000
Less accumulated depreciation	<u>(42,000)</u>	<u>(25,200)</u>
	<u>\$ 42,000</u>	<u>\$ 58,800</u>

Note 8: Notes Payable

Notes payable include the following at June 30:

	<u>2013</u>	<u>2012</u>
Note payable (A)	\$ 642,253	\$ 673,016
Note payable (B)	<u>-</u>	<u>20,000</u>
	<u>\$ 642,253</u>	<u>\$ 693,016</u>

(A) Note payable to bank, interest at 5.90%, maturing August 2021; collateralized by certain property and assignment of rents on the related property. Monthly installments of \$5,849 with a balloon principal payment due at maturity.

The loan agreement states that Family Tree shall maintain a Coverage Ratio as of the end of each fiscal year of not less than 1.20 to 1.00. At June 30, 2013, Family Tree was not in compliance with this covenant. Subsequent to fiscal year-end, compliance with this covenant was waived by the lender.

(B) Loan for House of Hope property. No interest or payments required. The remaining balance was forgiven in December 2012.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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

2014	\$ 32,655
2015	34,662
2016	36,702
2017	39,050
2018	41,452
Thereafter	<u>457,732</u>
	<u><u>\$ 642,253</u></u>

Note 9: Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Housing and Family Services	\$ 105,728	\$ 77,374
Helen's Hope	72,979	63,200
Women in Crisis	37,362	45,470
Gemini	36,922	20,493
House of Hope	14,100	14,040
Arapahoe Military	135	3,155
Karlis Family Center	<u>1,810</u>	<u>1,810</u>
	<u><u>\$ 269,036</u></u>	<u><u>\$ 225,542</u></u>

Permanently restricted net assets at June 30 are restricted to:

	<u>2013</u>	<u>2012</u>
Helen's Hope - endowment fund	<u><u>\$ 174,497</u></u>	<u><u>\$ 174,137</u></u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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

	2013	2012
Housing and Family Services	\$ 73,703	\$ 33,435
Helen's Hope	21,918	12,186
Women in Crisis	37,543	79,888
Gemini	12,261	9,371
House of Hope	13,440	8,125
Arapahoe Military	3,156	-
Property Maintenance	-	1,475
Operations	-	3,010
	\$ 162,021	\$ 147,490

Note 10: Endowment

Family Tree's endowment consists of an individual fund. Net assets associated with the endowment fund are classified based on the existence or absence of donor-imposed restrictions.

Family Tree interpreted the State of Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 Family Tree 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 remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Family Tree in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Family Tree considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Family Tree and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Family Tree
7. Investment policies of Family Tree

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

The composition of net assets by type of endowment fund at June 30 was:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 71,179	\$ 174,497	\$ 245,676

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ 53,233	\$ 174,137	\$ 227,370

Changes in endowment net assets for the years ended June 30 were:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 53,233	\$ 174,137	\$ 227,370
Investment returns, net of fees			
Contributions	28,956	360	29,316
Appropriation of endowment assets for expenditure	(11,010)	-	(11,010)
Endowment net assets, end of year	\$ 71,179	\$ 174,497	\$ 245,676

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 64,027	\$ 173,782	\$ 237,809
Investment returns, net of fees	59	-	59
Contributions	-	355	355
Appropriation of endowment assets for expenditure	(10,853)	-	(10,853)
Endowment net assets, end of year	\$ 53,233	\$ 174,137	\$ 227,370

As described in Note 4, Family Tree's endowment is held by Community First. Per the terms of Family Tree's agreement with Community First, Family Tree may participate in Community First's investment pool or request a specific allocation of assets. Family Tree currently participates in the investment pool.

Family Tree is eligible to receive annual distributions of 5% of the market value of the endowment. Excess earnings are reinvested in the endowment.

Note 11: Operating Leases

Family Tree has operating lease commitments for program facilities spaces requiring monthly payments ranging from approximately \$400 to \$4,000 through June 2015. Future minimum rental payments required for such operating leases at June 30, 2013 are as follows:

2014	\$ 77,691
2015	4,973
Net present value of minimum lease payments	\$ 82,664

Building lease and rent expense for the year ended June 30, 2013 was approximately \$99,380.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Note 12: Retirement Plan

Family Tree has a retirement plan (the Plan) under Internal Revenue Code Section 403(b). Full-time employees are eligible to participate in the Plan on the Plan entry date following employment. Family Tree does not make contributions to the Plan. The Plan allows employees to defer a discretionary amount of their salaries, not to exceed a defined limit, to the Plan. All contributions to the Plan are fully vested when made.

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

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements 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, 2013 and 2012:

	2013			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 66,193	\$ 66,193	\$ -	\$ -
Equity mutual funds				
Large-cap	314,858	314,858	-	-
Mid-cap	197,814	197,814	-	-
Small-cap	62,759	62,759	-	-
S&P 500 funds	146,173	146,173	-	-
International	93,209	93,209	-	-
Fixed income mutual funds				
Global income funds	27,672	27,672	-	-
Short-term investment grade funds	44,003	44,003	-	-
Intermediate term investment grade funds	66,666	66,666	-	-
Marketable alternative investments	70,385	70,385	-	-
Fixed income bonds				
Treasuries and agencies	70,669	-	70,669	-
High-grade corporate	134,386	-	134,386	-
Interest in net assets of Community First	245,676	-	-	245,676
	<u>\$ 1,540,463</u>	<u>\$ 1,089,732</u>	<u>\$ 205,055</u>	<u>\$ 245,676</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

	2012			
	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 62,803	\$ 62,803	\$ -	\$ -
Equity mutual funds				
Large-cap	301,554	301,554	-	-
Mid-cap	158,619	158,619	-	-
Small-cap	49,823	49,823	-	-
S&P 500 funds	121,233	121,233	-	-
International	105,570	105,570	-	-
Fixed income mutual funds				
Global income funds	7,636	7,636	-	-
Short-term investment grade funds	63,853	63,853	-	-
Open ended mutual funds	81,056	81,056	-	-
Fixed income bonds				
Treasuries and agencies	264,082	-	264,082	-
High-grade corporate	106,258	-	106,258	-
Interest in net assets of Community First	227,370	-	-	227,370
	<u>\$ 1,549,857</u>	<u>\$ 952,147</u>	<u>\$ 370,340</u>	<u>\$ 227,370</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2013. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Interest in Net Assets of Community First Foundation

Value based upon information determined and reported by Community First and corroborated by management using the report from the annual investment meeting sent to participants. The fair value of investments held at Community First includes Levels 1, 2, and 3 classification; however, Family Tree's pro-rata share of the pooled investment is not quoted in active markets and is, therefore, classified under Level 3 in the fair value hierarchy.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	<u>Investments</u>
Balance, June 30, 2012	\$ 227,370
Total realized and unrealized gains and losses	31,697
Distributions	(11,110)
Fees	(2,381)
	<hr/>
Balance, June 30, 2013	<u><u>\$ 245,576</u></u>

Note 14: Subsequent Event

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Supplementary Information

Family Tree, Inc.
Schedule of Expenditures of Federal Awards
June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Identification Number	CFDA Number	Amount
<u>U.S. Department of Agriculture</u>			
Direct Program			
Child Nutrition Cluster			
School Breakfast Program		10.553	\$ 19,470
Total Child Nutrition Cluster and U.S. Department of Agriculture			<u>19,470</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program			
Supportive Housing Program		14.235	291,549
Pass-through programs from			
Volunteers of America Colorado Branch - Supportive Housing Program- Youth Transition Project	CO0059B8T031104	14.235	160,224
Colorado Coalition for the Homeless - Homeless No More	CO0037B8T031003	14.235	93,937
Colorado Coalition for the Homeless - Rapid Rehousing Demonstration	CCR no. 48SJ9	14.235	68,412
Colorado Department of Local Affairs - Emergency Shelter Grants Program	H2ESG11-961	14.231	57,546
Colorado Department of Human Services - Supportive Housing and Homeless Program	H2ESG11-293	14.871	1,135
Arapahoe County Social Services - Community Development Block Grant	ENPS81124	14.218	22,500
Arapahoe County Community Resources - Community Development Block Grant	CMPF1112	14.218	28,918
City of Denver - HOME Grow Denver	201204434	14.239	<u>198,377</u>
Total U.S. Department of Housing and Urban Development			<u>922,598</u>
<u>U.S. Department of Justice</u>			
Direct Program			
Office for Violence Against Women - Transitional Housing Grant		16.736	10,716
Pass-through programs from			
Colorado Department of Public Safety - Division of Criminal Justice - Violence Against Women Formula Grants	11-VW-1-5	16.588	<u>87,626</u>
Total U.S. Department of Justice			<u>98,342</u>

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Assistance Identification Number	CFDA Number	Amount
<u>U.S. Department of Homeland Security - Federal Emergency Management Agency</u>			
Direct Programs			
Emergency Food and Shelter National Board Program			
Women in Crisis		97.024	27,002
House of Hope		97.024	70,022
			70,022
Total U.S. Department of Homeland Security - Federal Emergency Management Agency			97,024
<u>U.S. Department of Health and Human Services</u>			
Direct Programs			
Runaway and Homeless Youth - Basic Center		93.623	82,567
Runaway and Homeless Youth - Boulder		93.623	96,654
Pass-through programs from			
Colorado Department of Human Services			
Family Violence Prevention and Services	12IHA35463	93.671	45,139
Federal Temporary Assistance for Needy Families Block Grant	12IHA35463	93.558	5,886
Jefferson County Community Development			
Jefferson County Department of Human Services Community Services Block Grant	CC11-019	93.569	20,000
Arapahoe County Department of Social Services			
Temporary Assistance for Needy Families	N/A	93.558	200,000
			200,000
Total U.S. Department of Health and Human Services			450,246
<u>U.S. Department of Veteran Affairs</u>			
Direct Program			
Supportive Services for Veteran Affairs		64.003	187,046
			187,046
Total U.S. Department of Veteran Affairs			187,046
			\$ 1,774,726

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2013

Notes to Schedule

1. This schedule includes the federal awards activity of Family Tree, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. There were no federal awards provided to subrecipients.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

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. which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2013.

Internal Control Over Financial Reporting

Management of Family Tree is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 Family Tree'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*.

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 7, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

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 Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. 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, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2013.

Report on Internal Control Over Compliance

The 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 Family Tree'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 7, 2013

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

7. Identification of major programs:

Program/Cluster	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 - Homeless No More Colorado Coalition for the Homeless - Rapid Rehousing Demonstration	14.235

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. Family Tree qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Family Tree, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Section III – Federal Award Findings and Status

Reference Number	Finding	Questioned Costs
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No matters are reportable.