

Family Tree, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2014 and 2013

Family Tree, Inc.
June 30, 2014 and 2013

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on Financial Statements

We have audited the accompanying financial statements of Family Tree, Inc. (Family Tree) which comprise the statements of financial position as of June 30, 2014, 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 financial statements referred to above present fairly, in all material respects, the financial position of Family Tree, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2013. In our 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.

Supplementary Information

Our 2014 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 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
November 6, 2014

Family Tree, Inc.
Statements of Financial Position
Year Ended June 30, 2014
(With Summarized Financial Information for 2013)

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 234,800	\$ 102,205
Receivables, net of allowance		
Program grants	408,119	375,313
Service fees	87,031	149,638
Contributions	106,250	103,905
Other	43,389	2,539
Investments	747,353	1,294,787
Inventory	11,202	30,200
Prepayments and other	111,464	66,338
Property and equipment, net	2,102,122	2,214,020
Beneficial interest in Community First Foundation	269,240	245,676
	<u> </u>	<u> </u>
Total assets	<u>\$ 4,120,970</u>	<u>\$ 4,584,621</u>
 Liabilities		
Accounts payable	\$ 62,714	\$ 40,465
Accrued liabilities	177,792	203,623
Other liabilities	31,586	22,039
Deferred revenue	46,080	42,984
Capital lease obligations	29,441	46,893
Notes payable	609,599	642,253
	<u> </u>	<u> </u>
Total liabilities	<u>957,212</u>	<u>998,257</u>
 Net Assets		
Unrestricted	2,582,821	3,142,831
Temporarily restricted	406,080	269,036
Permanently restricted	174,857	174,497
	<u> </u>	<u> </u>
Total net assets	<u>3,163,758</u>	<u>3,586,364</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 4,120,970</u>	<u>\$ 4,584,621</u>

Family Tree, Inc.
Statements of Activities
Years Ended June 30, 2014 and 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Financial Information
Revenue, Gains and Support					
Contributions and grants					
Federal government grants	\$ 2,244,443	\$ -	\$ -	\$ 2,244,443	\$ 1,774,726
Other government grants	654,655	-	-	654,655	874,668
Foundations	189,153	224,687	-	413,840	399,980
Donations	504,886	41,132	360	546,378	548,035
In-kind contributions from others	52,909	-	-	52,909	110,784
Mile High United Way	153,547	2,703	-	156,250	100,000
Total contributions and grants	<u>3,799,593</u>	<u>268,522</u>	<u>360</u>	<u>4,068,475</u>	<u>3,808,193</u>
Special events	138,304	-	-	138,304	135,320
Less direct benefit to attendees	(22,226)	-	-	(22,226)	(19,367)
	<u>116,078</u>	<u>-</u>	<u>-</u>	<u>116,078</u>	<u>115,953</u>
Rental and other income	116,510	-	-	116,510	90,142
Merchandise sales	334,190	-	-	334,190	328,286
Investment return	171,040	-	-	171,040	131,805
Change in beneficial interest in net assets of Community First Foundation	-	37,391	-	37,391	31,697
Program service fees					
Medicaid and foster care	131,152	-	-	131,152	650,705
Contract	810,587	-	-	810,587	874,076
Service	325,121	-	-	325,121	359,946
	<u>5,804,271</u>	<u>305,913</u>	<u>360</u>	<u>6,110,544</u>	<u>6,390,803</u>
Net assets released from restrictions					
Satisfaction of program restrictions	168,869	(168,869)	-	-	-
Total revenue, gains and support	<u>5,973,140</u>	<u>137,044</u>	<u>360</u>	<u>6,110,544</u>	<u>6,390,803</u>
Expenses					
Program services					
Gemini	513,638	-	-	513,638	1,014,656
Youth supportive services	390,500	-	-	390,500	464,032
Homelessness program	1,524,741	-	-	1,524,741	1,205,671
Military/veteran and kinship programs	669,562	-	-	669,562	534,518
House of Hope	430,970	-	-	430,970	439,229
Women in Crisis	478,323	-	-	478,323	485,827
Domestic violence support services	807,631	-	-	807,631	897,164
Property management	131,045	-	-	131,045	145,228
Treasure Trunk	302,029	-	-	302,029	272,992
Total program expenses	<u>5,248,439</u>	<u>-</u>	<u>-</u>	<u>5,248,439</u>	<u>5,459,317</u>
Supporting services					
General and administration	824,650	-	-	824,650	869,019
Fundraising and development	460,061	-	-	460,061	497,653
Total supporting services expenses	<u>1,284,711</u>	<u>-</u>	<u>-</u>	<u>1,284,711</u>	<u>1,366,672</u>
Total expenses	<u>6,533,150</u>	<u>-</u>	<u>-</u>	<u>6,533,150</u>	<u>6,825,989</u>
Change in Net Assets	(560,010)	137,044	360	(422,606)	(435,186)
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,582,821</u>	<u>\$ 406,080</u>	<u>\$ 174,857</u>	<u>\$ 3,163,758</u>	<u>\$ 3,586,364</u>

Family Tree, Inc.
Statements of Functional Expenses
Year Ended June 30, 2014
(With Summarized Financial Information for 2013)

	Program Services									Supporting Services				2013 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 Program	Military/Veteran and Kinship Family Programs	House of Hope	Women in Crisis	Domestic Violence Support Services	Property Management	Treasure Trunk					
Salaries and benefits	\$ 388,189	\$ 334,799	\$ 513,592	\$ 448,655	\$ 313,430	\$ 348,892	\$ 684,291	\$ 127,958	\$ 190,700	\$ 3,350,506	\$ 611,948	\$ 358,085	\$ 4,320,539	\$ 4,758,308
Contract services	3,600	-	15,000	-	-	-	6,138	-	-	24,738	69,573	35,180	129,491	115,977
Equipment and furnishings	4,216	-	789	3,046	477	200	-	-	914	9,642	1,041	353	11,036	7,356
Direct client costs	11,265	11,304	912,861	184,566	24,226	34,842	4,413	-	-	1,183,477	1,567	-	1,185,044	936,717
Building lease and rent	17,899	20,277	-	-	-	84	84	-	53,100	91,444	3,354	-	94,798	103,002
In-kind expense	-	-	525	-	7,803	11,918	23,088	-	-	43,334	-	9,575	52,909	110,784
Supplies and printing	2,307	1,257	4,011	5,559	3,913	6,469	5,705	-	4,349	33,570	11,221	15,363	60,154	94,277
Utilities	7,277	-	6,031	-	15,041	13,612	6,569	-	6,821	55,351	24,658	-	80,009	87,321
Interest and other	6,473	96	(16)	-	695	428	795	-	-	8,471	38,761	-	47,232	44,696
Maintenance, repair and equipment rental	12,585	162	10,235	600	11,925	21,715	14,922	-	8,506	80,650	34,553	-	115,203	130,024
Insurance	9,652	1,380	4,192	659	9,316	5,801	6,311	61	4,734	42,106	20,928	622	63,656	63,470
Staff development, meetings and recruitment	1,534	1,077	6,870	6,476	839	1,014	1,010	20	1,384	20,224	7,109	1,723	29,056	35,762
Travel and transportation	2,351	12,423	13,191	7,030	1,507	1,637	7,588	1,837	1,186	48,750	156	2,371	51,277	50,425
Fees, dues and subscriptions	4,114	552	3,250	75	489	1,170	5,419	-	5,484	20,553	18,577	10,023	49,153	55,373
Telephone and postage	12,173	3,192	6,231	6,053	7,742	7,508	8,949	1,169	1,171	54,188	9,515	5,610	69,313	68,930
Volunteer and Board	19	-	325	125	108	582	128	-	156	1,443	1,609	11,248	14,300	13,709
Merchandise and advertising	-	-	-	3,267	-	-	209	-	19,074	22,550	744	4,981	28,275	3,646
Indirect expense	5,920	3,981	19,712	3,451	4,691	5,113	8,599	-	3,231	54,698	(59,625)	4,927	-	-
Expenses before depreciation and amortization	489,574	390,500	1,516,799	669,562	402,202	460,985	784,218	131,045	300,810	5,145,695	795,689	460,061	6,401,445	6,679,777
Depreciation and amortization	24,064	-	7,942	-	28,768	17,338	23,413	-	1,219	102,744	28,961	-	131,705	146,212
Total expenses	\$ 513,638	\$ 390,500	\$ 1,524,741	\$ 669,562	\$ 430,970	\$ 478,323	\$ 807,631	\$ 131,045	\$ 302,029	\$ 5,248,439	\$ 824,650	\$ 460,061	\$ 6,533,150	\$ 6,825,989

Family Tree, Inc.
Statements of Cash Flows
Year Ended June 30, 2014
(With Summarized Financial Information for 2013)

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ (422,606)	\$ (435,186)
Items not requiring (providing) cash		
Net realized and unrealized losses (gains) on investments	(150,059)	(103,272)
Depreciation expense	131,706	146,210
Forgiveness of notes payable	-	(20,000)
Change in beneficial interest in Community First Foundation	(37,391)	(29,316)
Permanently restricted revenue and support	(360)	(360)
Changes in		
Receivables	(13,394)	86,018
Inventory	18,998	1,795
Prepayments and other	(45,126)	(6,865)
Accounts payable and accrued liabilities	(3,582)	(21,855)
Other liabilities and deferred revenue	12,643	36,565
	<u>(509,171)</u>	<u>(346,266)</u>
Investing Activities		
Purchase of investments	(12,507)	(19,028)
Proceeds from sales of investments	710,000	150,000
Acquisitions of property and equipment	(19,808)	(99,929)
	<u>677,685</u>	<u>31,043</u>
Financing Activities		
Investment in permanent endowment	360	360
Net distribution from beneficial interest in		
Community First Foundation	13,827	11,010
Payments on notes payable	(32,654)	(30,763)
Payments on capital lease obligations	(17,452)	(15,892)
	<u>(35,919)</u>	<u>(35,285)</u>
Change in Cash and Cash Equivalents	132,595	(350,508)
Cash and Cash Equivalents, Beginning of Year	<u>102,205</u>	<u>452,713</u>
Cash and Cash Equivalents, End of Year	<u>\$ 234,800</u>	<u>\$ 102,205</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 41,205</u>	<u>\$ 44,565</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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 run away, or are homeless. The Center ceased operations in January 2014.

Youth Supportive Services: 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:

Homelessness Program: This program provides client centered case management services, homeless prevention and rapid rehousing services, crisis assistance via a helpline, and affordable transitional and permanent supportive housing for low or no-income, homeless individuals and families who are working toward self-sufficiency.

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.

Family Tree, Inc.
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House of Hope: A residential facility 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 Support Services: Supportive services for families who have experienced separation, divorce, domestic violence, or other abuse in the home. Services include supervised parenting time and 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: 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.

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).

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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, 2014, the Organization's cash accounts exceeded federally insured limits by approximately \$104,000.

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, 2014 and 2013. As of June 30, 2014, 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.

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 three to forty 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.

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June 30, 2014 and 2013

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, 2014 and 2013.

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.

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, 2014 and 2013 totaled \$52,909 and \$110,784, respectively. The allocation of this amount between goods and services is as follows:

	2014	2013
Goods	\$ 9,576	\$ 66,974
Services	43,333	43,810
	<u>\$ 52,909</u>	<u>\$ 110,784</u>

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Notes to Financial Statements
June 30, 2014 and 2013

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 2011.

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.

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

Family Tree, Inc.
Notes to Financial Statements
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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, 2013, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Investment Return

Investments consisted of the following at June 30:

	2014	2013
Money market funds	\$ 12,258	\$ 66,193
Large-cap equity mutual funds	153,154	314,858
Mid-cap equity mutual funds	112,926	197,814
Small-cap equity mutual funds	70,651	62,759
S&P 500 equity mutual funds	75,220	146,173
International equity mutual funds	108,030	93,209
Global income mutual funds	6,996	27,672
Short-term investment grade bond funds	12,266	44,003
Intermediate term investment grade bond funds	19,289	66,666
Marketable alternative investments	42,371	70,385
Treasury and agency bonds	-	70,669
High-grade corporate bonds	134,192	134,386
	<u>134,192</u>	<u>134,386</u>
Total investments	<u>\$ 747,353</u>	<u>\$ 1,294,787</u>

Total investment return is comprised of the following:

	2014	2013
Interest and dividend income	\$ 20,981	\$ 28,533
Net realized and unrealized gains	150,059	103,272
	<u>150,059</u>	<u>103,272</u>
	<u>\$ 171,040</u>	<u>\$ 131,805</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

Note 3: Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	2014		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 66,250	\$ 40,000	\$ 106,250
	2013		
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 63,905	\$ 40,000	\$ 103,905

Note 4: Beneficial Interest in 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 \$269,240 and \$245,676 at June 30, 2014 and 2013, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

Note 5: Property and Equipment

Property and equipment at June 30 consisted of:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 2,948,573	\$ 2,928,766
Land and land improvements	635,693	635,693
Furniture, fixtures and equipment	209,065	209,065
Vehicles	<u>68,261</u>	<u>68,261</u>
	3,861,592	3,841,785
Less accumulated depreciation and amortization	<u>(1,759,470)</u>	<u>(1,627,765)</u>
	<u>\$ 2,102,122</u>	<u>\$ 2,214,020</u>

Note 6: Line-of-Credit

Family Tree maintained a secured line-of-credit agreement with a bank. The total amount available on the line-of-credit was \$200,000 as of June 30, 2013, with a stated interest rate of 1.0% plus prime (3.25% at June 30, 2013). The line-of-credit matured in November 2013. There was no balance outstanding on this line-of-credit as of June 30, 2013, and it was not renewed during the year ended June 30, 2014.

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.

Future minimum lease payments as of June 30, 2014 are as follows:

2015	\$ 21,120
2016	<u>10,560</u>
	31,680
Less interest	<u>(2,239)</u>
Net present value of minimum lease payments	<u>\$ 29,441</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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

	2014	2013
Equipment	\$ 84,000	\$ 84,000
Less accumulated depreciation	(58,800)	(42,000)
	\$ 25,200	\$ 42,000

Note 8: Notes Payable

Notes payable include the following at June 30:

	2014	2013
Note payable (A)	\$ 609,599	\$ 642,253

(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, 2014, Family Tree was not in compliance with this covenant. Subsequent to fiscal year-end, compliance with this covenant was waived by the lender.

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

2015	\$ 34,663
2016	36,702
2017	39,050
2018	41,452
2019	44,000
Thereafter	413,732
	\$ 609,599

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

Note 9: Temporarily and Permanently Restricted Net Assets

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

	<u>2014</u>	<u>2013</u>
Housing and Family Services	\$ 102,574	\$ 105,728
Helen's Hope	101,259	72,979
Women in Crisis	89,254	37,362
Gemini	60,054	36,922
House of Hope	51,100	14,100
Arapahoe Military	261	135
Karlis Family Center	1,578	1,810
	<u>\$ 406,080</u>	<u>\$ 269,036</u>

Permanently restricted net assets at June 30 are restricted to:

	<u>2014</u>	<u>2013</u>
Helen's Hope - endowment fund	\$ 174,857	\$ 174,497

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

	<u>2014</u>	<u>2013</u>
Housing and Family Services	\$ 102,296	\$ 73,703
Helen's Hope	9,111	21,918
Women in Crisis	34,700	37,543
Gemini	8,895	12,261
House of Hope	13,500	13,440
Arapahoe Military	135	3,156
Karlis Family Center	232	-
	<u>\$ 168,869</u>	<u>\$ 162,021</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

Note 10: Operating Leases

Family Tree has operating lease commitments for program facilities spaces requiring monthly payments ranging from approximately \$400 to \$4,000 through July 2019. Future minimum rental payments required for such operating leases at June 30, 2014 are as follows:

2015	\$ 43,802
2016	51,996
2017	51,996
2018	51,996
2019	<u>51,996</u>
Net present value of minimum lease payments	<u>\$ 251,786</u>

Building lease and rent expense for the year ended June 30, 2014 was approximately \$91,191.

Note 11: Retirement Plan

Family Tree has a retirement plan (the Plan) under Internal Revenue Code Section 403(b), covering substantially all employees. Full-time employees are eligible to participate in the Plan on the Plan entry date following employment. 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. Effective July 1, 2013, Family Tree amended the Plan to include a discretionary employer contribution to be allocated per capita among employees. The board of directors annually determines the amount, if any, of the Organization's contributions to the Plan. Pension expenses were \$47,514 and \$0 for 2014 and 2013, respectively.

Note 12: 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, 2014 and 2013

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, 2014 and 2013.

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, 2014 and 2013:

	2014			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
Money market	\$ 12,258	\$ 12,258	\$ -	\$ -
Equity mutual funds				
Large-cap	153,154	153,154	-	-
Mid-cap	112,926	112,926	-	-
Small-cap	70,651	70,651	-	-
S&P 500 funds	75,220	75,220	-	-
International	108,030	108,030	-	-
Fixed income mutual funds				
Global income funds	6,996	6,996	-	-
Short-term investment grade funds	12,266	12,266	-	-
Intermediate-term investment grade	19,289	19,289	-	-
Marketable alternative investments	42,371	42,371	-	-
Fixed income bonds				
High-grade corporate	134,192	-	134,192	-
Beneficial interest in Community First	269,240	-	269,240	-
	<u>\$ 1,016,593</u>	<u>\$ 613,161</u>	<u>\$ 403,432</u>	<u>\$ -</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

	2013			
	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	\$ 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	-	-
Open ended mutual 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>\$ 450,731</u>	<u>\$ -</u>

Note 13: 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, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Amount
<u>U.S. Department of Agriculture</u>		
Direct Program		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 4,506
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>4,506</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program		
Supportive Housing Program	14.235	470,661
Pass-through programs from		
Volunteers of America Colorado Branch - Supportive Housing Program - Youth Transition Project	14.235	170,448
Colorado Coalition for the Homeless - Homeless No More	14.235	89,476
Colorado Coalition for the Homeless - Rapid Rehousing Demonstration	14.235	72,642
Colorado Department of Local Affairs - Emergency Shelter Grants Program	14.231	200,441
Arapahoe County Social Services - Community Development Block Grant	14.218	22,500
Arapahoe County Community Resources - Community Development Block Grant	14.218	22,761
Jefferson County Department of Human Services - Community Development Block Grant	14.218	13,980
City of Denver - HOME Grow Denver	14.239	<u>111,515</u>
Total U.S. Department of Housing and Urban Development		<u>1,174,424</u>
<u>U.S. Department of Justice</u>		
Direct Program		
Office for Violence Against Women - Transitional Housing Grant	16.736	55,291
Pass-through programs from		
Colorado Department of Public Safety - Division of Criminal Justice - Violence Against Women Formula Grants	16.588	<u>96,129</u>
Total U.S. Department of Justice		<u>151,420</u>

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	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	27,640
House of Hope	97.024	57,472
Total U.S. Department of Homeland Security - Federal Emergency Management Agency		85,112
<u>U.S. Department of Health and Human Services</u>		
Direct Programs		
Runaway and Homeless Youth - Basic Center	93.623	42,061
Runaway and Homeless Youth - Boulder	93.623	68,306
Pass-through programs from		
Colorado Department of Human Services		
Family Violence Prevention and Services	93.671	43,205
Federal Temporary Assistance for Needy Families Block Grant	93.558	2,913
Jefferson County Community Development		
Jefferson County Department of Human Services Community Services Block Grant	93.569	63,596
Arapahoe County Department of Social Services		
Temporary Assistance for Needy Families	93.558	241,320
Total U.S. Department of Health and Human Services		461,401
<u>U.S. Department of Veteran Affairs</u>		
Pass-through programs from Volunteers of America Colorado Branch - Supportive Services for Veteran Affairs		
	64.033	367,580
Total U.S. Department of Veteran Affairs		367,580
		\$ 2,244,443

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2014

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, 2014, 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 November 6, 2014.

Internal Control Over Financial Reporting

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

We also noted certain matters, which we reported to Family Tree's management in a separate letter dated November 6, 2014.

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
November 6, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

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, 2014. 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, 2014.

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 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 OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
November 6, 2014

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2014

7. Identification of major programs:

Program/Cluster	CFDA Number
Supporting Housing Program	14.235
U.S. Department of Housing and Urban Development	
Volunteers of America Colorado Branch - Youth Transition Project	
Colorado Coalition for the Homeless - Homeless No More Demonstration	
Supportive Services for Veteran Families	64.033
U.S. Department of Veteran Affairs	

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, 2014

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, 2014

Section III – Federal Award Findings and Status

Reference Number	Finding	Questioned Costs
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No matters are reportable.