

Family Tree, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2015 and 2014

Family Tree, Inc.
June 30, 2015

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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 statement of financial position as of June 30, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our 2015 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 December 10, 2015 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
December 10, 2015

Family Tree, Inc.
Statement of Financial Position
Year Ended June 30, 2015
(With Summarized Financial Information for 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 18,347	\$ 234,800
Receivables, net of allowance		
Government grants	499,908	408,119
Accounts receivable	135,671	130,420
Contributions	52,829	106,250
Investments	550,340	747,353
Inventory	15,241	11,202
Prepayments and other	97,546	111,464
Property and equipment, net	2,040,026	2,102,122
Beneficial interest in Community First Foundation	<u>261,387</u>	<u>269,240</u>
Total assets	<u>\$ 3,671,295</u>	<u>\$ 4,120,970</u>
 Liabilities		
Accounts payable	\$ 58,411	\$ 62,714
Accrued liabilities	166,759	177,792
Other liabilities	13,256	31,586
Deferred revenue	21,034	46,080
Capital lease obligation	10,276	29,441
Notes payable	<u>574,936</u>	<u>609,599</u>
Total liabilities	<u>844,672</u>	<u>957,212</u>
 Net Assets		
Unrestricted	2,343,131	2,582,821
Temporarily restricted	308,575	406,080
Permanently restricted	<u>174,917</u>	<u>174,857</u>
Total net assets	<u>2,826,623</u>	<u>3,163,758</u>
Total liabilities and net assets	<u>\$ 3,671,295</u>	<u>\$ 4,120,970</u>

Family Tree, Inc.
Statement of Activities
Year Ended June 30, 2015

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Summarized Financial Information
Revenue, Gains and Support					
Contributions and grants					
Federal government grants	\$ 1,988,358	\$ -	\$ -	\$ 1,988,358	\$ 2,244,443
Other government grants	946,431	-	-	946,431	654,655
Foundations	170,117	89,615	-	259,732	413,840
Contributions	475,533	11,886	60	487,479	546,378
In-kind contributions from others	55,063	-	-	55,063	52,909
Mile High United Way	156,251	39,062	-	195,313	156,250
Total contributions and grants	<u>3,791,753</u>	<u>140,563</u>	<u>60</u>	<u>3,932,376</u>	<u>4,068,475</u>
Special events	137,177	-	-	137,177	138,304
Less direct benefit to attendees	<u>(20,851)</u>	<u>-</u>	<u>-</u>	<u>(20,851)</u>	<u>(22,226)</u>
	<u>116,326</u>	<u>-</u>	<u>-</u>	<u>116,326</u>	<u>116,078</u>
Rental and other income	90,462	-	-	90,462	116,510
Treasure Trunk Thrift Store	258,373	-	-	258,373	334,190
Investment return	18,901	-	-	18,901	171,040
Change in beneficial interest in net assets of Community First Foundation	-	6,634	-	6,634	37,391
Program service fees	<u>1,026,904</u>	<u>-</u>	<u>-</u>	<u>1,026,904</u>	<u>1,266,860</u>
	5,302,719	147,197	60	5,449,976	6,110,544
Net assets released from restrictions	<u>244,702</u>	<u>(244,702)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and support	<u>5,547,421</u>	<u>(97,505)</u>	<u>60</u>	<u>5,449,976</u>	<u>6,110,544</u>
Expenses					
Program services					
Homelessness program	1,435,692	-	-	1,435,692	1,524,741
Military/veteran and kinship programs	481,613	-	-	481,613	669,562
House of Hope shelter	488,079	-	-	488,079	430,970
Women in Crisis shelter and clinic	493,519	-	-	493,519	478,323
Domestic violence support services	818,236	-	-	818,236	807,631
Child and youth services	458,454	-	-	458,454	904,138
Treasure Trunk Thrift Store	261,870	-	-	261,870	302,029
Property management	186,135	-	-	186,135	131,045
Total program expenses	<u>4,623,598</u>	<u>-</u>	<u>-</u>	<u>4,623,598</u>	<u>5,248,439</u>
Supporting services					
General and administration	705,944	-	-	705,944	824,650
Funds development	<u>457,569</u>	<u>-</u>	<u>-</u>	<u>457,569</u>	<u>460,061</u>
Total supporting services expenses	<u>1,163,513</u>	<u>-</u>	<u>-</u>	<u>1,163,513</u>	<u>1,284,711</u>
Total expenses	<u>5,787,111</u>	<u>-</u>	<u>-</u>	<u>5,787,111</u>	<u>6,533,150</u>
Change in Net Assets	(239,690)	(97,505)	60	(337,135)	(422,606)
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 2,343,131</u>	<u>\$ 308,575</u>	<u>\$ 174,917</u>	<u>\$ 2,826,623</u>	<u>\$ 3,163,758</u>

Family Tree, Inc.
Statement of Functional Expenses
Year Ended June 30, 2015
(With Summarized Financial Information for 2014)

	Program Services								Supporting Services				2014 Total Expenses	
	Housing and Family Stabilization Services			Domestic Violence Services			Child and Youth Services	Treasure Trunk Thrift Store	Property Management	Total Program Expenses	General and Administration	Funds Development		Total Expenses
	Homelessness Program	Military/Veteran and Kinship Family Programs	House of Hope Shelter	Women in Crisis Shelter and Clinic	Domestic Violence Support Services									
Salaries and benefits	\$ 536,989	\$ 348,405	\$ 322,090	\$ 346,172	\$ 703,299	\$ 402,408	\$ 158,415	\$ 142,764	\$ 2,960,542	\$ 530,649	\$ 355,328	\$ 3,846,519	\$ 4,320,539	
Contract services	15,000	394	1,262	-	2,818	2,389	-	-	21,863	125,114	23,103	170,080	129,491	
Equipment and furnishings	398	903	686	3,893	-	-	90	-	5,970	3,084	-	9,054	11,036	
Direct client costs	765,148	90,457	54,541	29,089	1,017	8,481	-	1,817	950,550	-	-	950,550	1,185,044	
Building lease and rent	-	-	-	56	56	1,989	47,930	3,040	53,071	3,415	-	56,486	94,798	
In-kind expense	-	-	8,077	28,188	-	-	-	-	36,265	-	18,798	55,063	52,909	
Supplies and printing	2,910	8,144	4,215	5,188	7,601	8,818	5,258	54	42,188	17,622	13,125	72,935	60,154	
Utilities	3,202	-	15,145	13,458	6,802	-	19,908	3,640	62,155	25,123	-	87,278	80,009	
Interest and other	-	-	382	223	430	-	-	326	1,361	36,181	-	37,542	47,232	
Maintenance, repair and equipment rental	11,600	431	14,646	17,254	16,871	169	9,019	2,035	72,025	32,791	-	104,816	115,203	
Insurance	4,425	885	10,199	6,890	5,346	358	5,677	6,614	40,394	22,447	656	63,497	63,656	
Staff development, meetings and recruitment	3,444	5,276	1,540	57	4,985	2,379	667	27	18,375	5,587	1,620	25,582	29,056	
Travel and transportation	16,687	6,816	1,548	1,356	5,377	19,745	882	3,930	56,341	271	1,340	57,952	51,277	
Fees, dues and subscriptions	2,998	222	653	594	4,646	186	4,303	1,159	14,761	18,649	10,731	44,141	49,153	
Telephone and postage	6,634	4,264	8,850	8,931	9,846	3,106	1,832	2,693	46,156	7,646	4,628	58,430	69,313	
Volunteer and Board	430	50	19	811	-	-	22	-	1,332	1,238	10,795	13,365	14,300	
Merchandise and advertising	-	4,833	-	-	-	1,231	(3,948)	-	2,116	593	2,473	5,182	28,275	
Indirect expense	57,885	10,533	13,313	14,744	25,295	7,195	8,660	-	137,625	(152,597)	14,972	-	-	
Expenses before depreciation and amortization	1,427,750	481,613	457,166	476,904	794,389	458,454	258,715	168,099	4,523,090	677,813	457,569	5,658,472	6,401,445	
Depreciation and amortization	7,942	-	30,913	16,615	23,847	-	3,155	18,036	100,508	28,131	-	128,639	131,705	
Total expenses	\$ 1,435,692	\$ 481,613	\$ 488,079	\$ 493,519	\$ 818,236	\$ 458,454	\$ 261,870	\$ 186,135	\$ 4,623,598	\$ 705,944	\$ 457,569	\$ 5,787,111	\$ 6,533,150	

Family Tree, Inc.
Statement of Cash Flows
Year Ended June 30, 2015
(With Summarized Financial Information for 2014)

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ (337,135)	\$ (422,606)
Items not requiring (providing) cash		
Net realized and unrealized gains on investments	(6,652)	(150,059)
Loss on disposal of property held for sale	305	-
Depreciation	128,639	131,706
Change in beneficial interest in Community First Foundation	(3,930)	(37,391)
Permanently restricted revenue and support	(60)	(360)
Changes in		
Receivables	(43,619)	(13,394)
Inventory	(4,039)	18,998
Prepayments and other	13,918	(45,126)
Accounts payable and accrued liabilities	(15,336)	(3,582)
Other liabilities and deferred revenue	(43,376)	12,643
	<u>(311,285)</u>	<u>(509,171)</u>
Investing Activities		
Purchase of investments	(106,335)	(12,507)
Proceeds from sales of investments	310,000	710,000
Acquisitions of property and equipment	(66,848)	(19,808)
	<u>136,817</u>	<u>677,685</u>
Financing Activities		
Investment in permanent endowment	60	360
Net distribution from beneficial interest in		
Community First Foundation	11,783	13,827
Payments on notes payable	(34,663)	(32,654)
Payments on capital lease obligations	(19,165)	(17,452)
	<u>(41,985)</u>	<u>(35,919)</u>
Change in Cash and Cash Equivalents	(216,453)	132,595
Cash and Cash Equivalents, Beginning of Year	<u>234,800</u>	<u>102,205</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,347</u>	<u>\$ 234,800</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 37,486</u>	<u>\$ 41,205</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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.

Family Tree helps people overcome, survive, and prevent child abuse and neglect, domestic violence and homelessness. These issues are inter-connected - children in the home when domestic violence happens are emotionally affected, if not physically, and women and children cite domestic violence as one of the top reasons they are homeless. For nearly 40 years Family Tree has provided innovative services focusing on the inter-connectedness in order to empower people to transform their lives and become safe, strong, and self-reliant. Our data shows that 95% of clients who contact Family Tree are in need of additional wrap-around services to help them achieve economic self-sufficiency.

Family Tree serves the seven county Denver-metro area with a variety of services often beginning with safe residential care, but then offering an array of comprehensive programs. Through all programs last year, nearly 24,000 people connected with Family Tree and 18,680 nights of safe shelter were provided to Denver-metro area families and individuals. Family Tree's mission is accomplished through the following primary service areas:

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.

Family Tree's Homelessness 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. For the year ended June 30, 2015, over 4,000 people were connected through the crisis hotline, and nearly 3,000 people received direct services including rental assistance and case management.

Family Tree's Military/Veteran and Kinship Family Programs are specifically focused on issues facing military families, veterans and families with children in the custody of relative caretakers. These programs provide a range of services including support and resources such as case management, home visits, short-term immediate interventions, financial supportive services and information and referrals.

Last year, Family Tree's House of Hope Program provided emergency residential services to 212 individuals and families, with almost half of families moving on to safe and stable housing.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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.

Family Tree operates the only emergency shelter in Jefferson County for battered women and their children. In addition to safe shelter, services at the Women in Crisis Program include a 24-hour crisis line, an on-site health clinic, children's programs, community education, advocacy, and domestic violence support groups. For the year ended June 30, 2015 participant survey data showed that 97% of women reported increased knowledge of safety strategies and 95% of women reported increased knowledge of community resources; both of these outcomes significantly exceed the Colorado Department of Human Services' targeted average of 90.6%. Over 13,000 people contacted Family Tree through the crisis/informational hotlines.

Family Tree also offers 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. Last year, these programs provided direct services to 2,700 people.

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. One of the many programs offered by Family Tree is SafeCare, a free and voluntary evidence-based program serving Adams and Douglas County. SafeCare is a national program model that offers in-home services that support, mentor and empower at-risk families in understanding the health, development and safety needs of their young children (geared for children 0-5 years of age).

Family Tree's Community Family Resource Team provides individual and family therapy, case management and crisis intervention for at-risk youth in order to divert them from future out-of-home placement and the child welfare system. Since this program's inception in 2005, greater than 95% of the youth who were successfully diverted remain in their homes for 12 months or longer, post closure.

Other Family Tree Programs

Treasure Trunk is a donation-based community thrift store whose primary function is to offer access to clothing, furniture, and household goods to families and individuals who are on the path towards self-sufficiency. Family Tree provides vouchers usually valued between \$25 and \$250 for Family Tree program participants to gather basic needs items. For the year ended June 30, 2015, more than 1,100 vouchers were redeemed at Treasure Trunk. Treasure Trunk is open to the public and is located in a low-income area to be accessible to the surrounding community.

Family Tree's Property Management Program 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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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 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).

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, 2015, Family Tree's cash accounts did not exceed federally insured limits.

Accounts Receivable

Receivables represent program service fees due, contributions 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, 2015 and 2014. As of June 30, 2015, 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, 2015 and 2014

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, 2015 and 2014.

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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, totaled \$55,063 and \$52,909, respectively. The allocation of this amount between goods and services is as follows:

	2015	2014
Goods	\$ 18,798	\$ 9,576
Services	36,265	43,333
	\$ 55,063	\$ 52,909

Government Grants

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

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 2012.

Functional Allocation of Expenses

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

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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, 2014, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statement presentation. These reclassifications had no effect on the change in net assets.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 2: Investments and Investment Return

Investments consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 91,661	\$ 12,258
Mutual funds	321,435	558,532
Corporate bonds	102,300	134,192
Marketable alternative investments	<u>34,944</u>	<u>42,371</u>
Total investments	<u>\$ 550,340</u>	<u>\$ 747,353</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 12,249	\$ 20,981
Net realized and unrealized gains	<u>6,652</u>	<u>150,059</u>
	<u>\$ 18,901</u>	<u>\$ 171,040</u>

See Note 11 regarding the fair value of investments.

Note 3: Contributions Receivable

Contributions receivable consisted of the following as of June 30:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	<u>\$ 7,829</u>	<u>\$ 45,000</u>	<u>\$ 52,829</u>
	<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	<u>\$ 66,250</u>	<u>\$ 40,000</u>	<u>\$ 106,250</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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 in 2005. 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 \$261,387 and \$269,240 at June 30, 2015 and 2014, respectively.

Note 5: Property and Equipment

Property and equipment at June 30 consisted of:

	2015	2014
Buildings and improvements	\$ 3,001,827	\$ 2,948,573
Land and land improvements	635,693	635,693
Furniture, fixtures and equipment	216,565	209,065
Vehicles	68,261	68,261
	3,922,346	3,861,592
Less accumulated depreciation and amortization	(1,882,320)	(1,759,470)
	\$ 2,040,026	\$ 2,102,122

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 6: 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, 2015 are as follows:

2016	\$ 10,560
	<u>10,560</u>
Less interest	<u>(284)</u>
Net present value of minimum lease payments	<u><u>\$ 10,276</u></u>

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

	<u>2015</u>	<u>2014</u>
Equipment	\$ 84,000	\$ 84,000
Less accumulated depreciation	<u>(75,599)</u>	<u>(58,800)</u>
	<u><u>\$ 8,401</u></u>	<u><u>\$ 25,200</u></u>

Note 7: Notes Payable

Notes payable include the following at June 30:

	<u>2015</u>	<u>2014</u>
Note payable	<u><u>\$ 574,936</u></u>	<u><u>\$ 609,599</u></u>

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, 2015, Family Tree was not in compliance with this covenant. Subsequent to fiscal year-end, Family Tree is in the process of entering into a forbearance agreement with the bank to cure the violation of the covenant.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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

2016	\$ 36,702
2017	39,050
2018	41,452
2019	44,000
2020	46,642
Thereafter	<u>367,090</u>
	<u><u>\$ 574,936</u></u>

Note 8: Temporarily and Permanently Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Housing and Family Stabilization Services	\$ 57,109	\$ 102,835
Women in Crisis Shelter	149,922	190,513
House of Hope Shelter	60,173	61,632
Child and Youth Services	2,309	51,100
Restricted for Future Operations	<u>39,062</u>	<u>-</u>
	<u><u>\$ 308,575</u></u>	<u><u>\$ 406,080</u></u>

Permanently restricted net assets at June 30 are restricted to:

	<u>2015</u>	<u>2014</u>
Women in Crisis - endowment fund (Note 4)	<u><u>\$ 174,917</u></u>	<u><u>\$ 174,857</u></u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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

	2015	2014
Housing and Family Stabilization Services	\$ 102,258	\$ 102,431
Women in Crisis Shelter	90,486	43,811
House of Hope Shelter	1,458	9,127
Child and Youth Services	50,500	13,500
	\$ 244,702	\$ 168,869

Note 9: 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, 2015 are as follows:

2016	\$ 51,996
2017	51,996
2018	51,996
2019	51,996
2020	4,767
Net present value of minimum lease payments	\$ 212,751

Building lease and rent expense for the years ended June 30, 2015 and 2014 was \$52,903 and \$91,191, respectively.

Note 10: 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 Family Tree's contributions to the Plan. Family Tree contributed to the Plan, \$41,986 and \$47,514 for 2015 and 2014, respectively.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Note 11: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Family Tree did not have Level 3 securities as of June 30, 2015 and 2014.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

	2015				
	Total	Fair Value Measurements Using			
		Quoted Prices		Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)	in Active Markets for Identical Assets (Level 1)		
Money market	\$ 91,661	\$ 91,661	\$ -	\$ -	
Equity mutual funds					
Large-cap	73,725	73,725	-	-	
Mid-cap	58,960	58,960	-	-	
Small-cap	31,079	31,079	-	-	
S&P 500 funds	16,649	16,649	-	-	
International	43,420	43,420	-	-	
Fixed income mutual funds	97,602	97,602	-	-	
Marketable alternative investments	34,944	34,944	-	-	
Fixed income bonds					
High-grade corporate	102,300	-	102,300	-	
Beneficial interest in Community First	261,387	-	261,387	-	
	<u>\$ 811,727</u>	<u>\$ 448,040</u>	<u>\$ 363,687</u>	<u>\$ -</u>	

Family Tree, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

	2014			
	Fair Value Measurements Using			
	Total	Quoted Prices		Significant Unobserv- able Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
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	115,026	115,026	-	-
Fixed income mutual funds	31,555	31,555	-	-
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>

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

	2015	2014
Investments	\$ 550,340	\$ 747,353
Beneficial interest in Community First Foundation	<u>261,387</u>	<u>269,240</u>
	<u>\$ 811,727</u>	<u>\$ 1,016,593</u>

Note 12: Subsequent Events

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, 2015

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Amount
<u>U.S. Department of Housing and Urban Development</u>		
Direct Program		
Supportive Housing Program	14.235	\$ 516,884
Pass-through programs from		
Volunteers of America Colorado Branch - Supportive Housing Program - Youth Transition Project	14.235	172,926
Colorado Coalition for the Homeless - Homeless No More	14.235	6,482
Colorado Coalition for the Homeless - Rapid Rehousing Demonstration	14.235	83,149
Colorado Department of Local Affairs - Emergency Shelter Grants Program	14.231	191,083
Arapahoe County Social Services - Community Development Block Grant	14.218	26,374
Arapahoe County Community Resources - Community Development Block Grant	14.218	24,540
Jefferson County Department of Human Services - Community Development Block Grant	14.218	9,031
City of Denver - HOME Grow Denver	14.239	21,701
		<hr/>
Total U.S. Department of Housing and Urban Development		1,052,170
		<hr/>
<u>U.S. Department of Justice</u>		
Direct Program		
Office for Violence Against Women - Transitional Housing Grant	16.736	144,484
Pass-through programs from		
Colorado Department of Public Safety - Division of Criminal Justice - Violence Against Women Formula Grants	16.588	92,787
		<hr/>
Total U.S. Department of Justice		237,271
		<hr/>

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2015

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	16,152
House of Hope	97.024	19,250
Total U.S. Department of Homeland Security - Federal Emergency Management Agency		35,402
<u>U.S. Department of Health and Human Services</u>		
Direct Programs		
Pass-through programs from		
Colorado Department of Human Services		
Family Violence Prevention and Services	93.671	53,030
Federal Temporary Assistance for Needy Families Block Grant	93.558	4,826
Jefferson County Community Development		
Jefferson County Department of Human Services Community Services Block Grant	93.569	104,593
Arapahoe County Department of Social Services		
Temporary Assistance for Needy Families	93.558	260,680
Total U.S. Department of Health and Human Services		423,129
<u>U.S. Department of Veteran Affairs</u>		
Pass-through programs from Volunteers of America Colorado Branch - Supportive Services for Veteran Affairs		
	64.033	240,386
Total U.S. Department of Veteran Affairs		240,386
		\$ 1,988,358

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
June 30, 2015

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. (Family Tree), which comprise the statement of financial position as of June 30, 2015, 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 December 10, 2015.

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 December 10, 2015.

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
December 10, 2015

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, 2015. Family Tree's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Family Tree's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2015.

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
December 10, 2015

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2015

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, 2015

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, 2015

Section III – Federal Award Findings and Status

Reference Number	Finding	Questioned Costs
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No matters are reportable.