

Family Tree, Inc.

Independent Auditor's Reports and Financial Statements

June 30, 2017 and 2016

Family Tree, Inc.
June 30, 2017 and 2016

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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 the Financial Statements

We have audited the accompanying financial statements of Family Tree, Inc. (Family Tree) which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our 2017 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, consisting of the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of Family Tree's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Tree's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 26, 2017

Family Tree, Inc.
Statement of Financial Position
Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	2017	2016
Assets		
Cash and cash equivalents	\$ 961,911	\$ 600,718
Receivables, net of allowance	863,998	728,219
Investments	195,071	193,577
Inventory	16,450	20,538
Prepayments and other	18,446	21,330
Property and equipment, net	1,829,127	1,921,519
Beneficial interest in Community First Foundation	257,448	243,108
Total assets	\$ 4,142,451	\$ 3,729,009
 Liabilities		
Accounts payable	\$ 96,564	\$ 96,226
Accrued liabilities	306,909	225,386
Other liabilities	4,012	5,374
Deferred revenue	20,868	-
Notes payable	499,201	538,234
Total liabilities	927,554	865,220
 Net Assets		
Unrestricted	2,499,668	2,391,436
Temporarily restricted	540,312	297,436
Permanently restricted	174,917	174,917
Total net assets	3,214,897	2,863,789
Total liabilities and net assets	\$ 4,142,451	\$ 3,729,009

Family Tree, Inc.
Statement of Activities
Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		Summarized Financial Information
Revenue					
Contributions and grants					
Federal government grants	\$ 1,999,530	\$ -	\$ -	\$ 1,999,530	\$ 1,821,000
Other government grants	1,027,417	-	-	1,027,417	908,730
Foundations grants	275,431	306,000	-	581,431	447,245
Corporation and individual contributions	471,069	32,962	-	504,031	720,020
In-kind contributions	187,505	-	-	187,505	231,548
Mile High United Way	93,750	31,250	-	125,000	148,437
Total contributions and grants	<u>4,054,702</u>	<u>370,212</u>	<u>-</u>	<u>4,424,914</u>	<u>4,276,980</u>
Special events	129,243	-	-	129,243	114,309
Less direct benefit to attendees	<u>(38,862)</u>	<u>-</u>	<u>-</u>	<u>(38,862)</u>	<u>(32,906)</u>
	<u>90,381</u>	<u>-</u>	<u>-</u>	<u>90,381</u>	<u>81,403</u>
Program service fees	1,519,626	-	-	1,519,626	1,472,617
Rental and other income	122,866	-	-	122,866	116,673
Treasure Trunk Thrift Store	292,806	-	-	292,806	304,571
Investment return	3,276	-	-	3,276	(6,440)
Change in beneficial interest in net assets of Community First Foundation	<u>-</u>	<u>26,899</u>	<u>-</u>	<u>26,899</u>	<u>(5,799)</u>
	<u>6,083,657</u>	<u>397,111</u>	<u>-</u>	<u>6,480,768</u>	<u>6,240,005</u>
Net assets released from restrictions	<u>154,235</u>	<u>(154,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,237,892</u>	<u>242,876</u>	<u>-</u>	<u>6,480,768</u>	<u>6,240,005</u>
Expenses					
Program services					
Homelessness program	1,688,257	-	-	1,688,257	1,823,116
House of Hope shelter	488,133	-	-	488,133	534,348
Women in Crisis shelter and clinic	463,594	-	-	463,594	489,473
Domestic violence support services	864,330	-	-	864,330	897,158
Child and youth services	1,149,027	-	-	1,149,027	985,969
Treasure Trunk Thrift Store	295,661	-	-	295,661	257,589
Property management	32,870	-	-	32,870	97,774
Total program expenses	<u>4,981,872</u>	<u>-</u>	<u>-</u>	<u>4,981,872</u>	<u>5,085,427</u>
Supporting services					
General and administration	692,769	-	-	692,769	685,392
Funds development	455,019	-	-	455,019	432,020
Total supporting services expenses	<u>1,147,788</u>	<u>-</u>	<u>-</u>	<u>1,147,788</u>	<u>1,117,412</u>
Total expenses	<u>6,129,660</u>	<u>-</u>	<u>-</u>	<u>6,129,660</u>	<u>6,202,839</u>
Change in Net Assets	108,232	242,876	-	351,108	37,166
Net Assets, Beginning of Year	<u>2,391,436</u>	<u>297,436</u>	<u>174,917</u>	<u>2,863,789</u>	<u>2,826,623</u>
Net Assets, End of Year	<u>\$ 2,499,668</u>	<u>\$ 540,312</u>	<u>\$ 174,917</u>	<u>\$ 3,214,897</u>	<u>\$ 2,863,789</u>

Family Tree, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	Program Services							Supporting Services					
	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	2016 Total Expenses
	Homelessness Program	House of Hope Shelter	Women in Crisis Shelter and Clinic	Domestic Violence Support Services									
Salaries and benefits	\$ 618,171	\$ 275,685	\$ 293,448	\$ 694,507	\$ 892,319	\$ 168,203	\$ 138,903	\$ 3,081,236	\$ 623,529	\$ 312,881	\$ 4,017,646	\$ 4,018,215	
Contract services	7,536	11,258	24,938	17,285	3,682	-	26,517	91,216	102,788	3,478	197,482	167,166	
Direct client costs	909,642	107,656	41,675	14,834	94,335	-	-	1,168,142	-	-	1,168,142	1,230,243	
Travel	15,901	138	218	7,814	52,888	122	1,438	78,519	256	3,338	82,113	86,059	
Building lease and rent	-	-	-	1,200	-	56,579	3,100	60,879	-	-	60,879	60,634	
Utilities	3,806	14,045	10,557	7,302	1,128	19,463	26,869	83,170	-	-	83,170	77,984	
Repairs and maintenance	3,321	7,629	15,169	4,365	262	14,199	8,983	53,928	105	-	54,033	112,292	
Supplies and printing	4,658	1,455	9,250	5,721	15,608	1,455	2,185	44,629	10,494	15,357	70,480	95,168	
Telephone and postage	4,972	11,213	7,752	13,396	8,050	1,695	2,481	49,559	4,465	3,587	57,611	59,983	
Insurance	9,657	8,296	7,016	8,985	6,939	7,044	10,895	58,832	8,644	2,474	69,950	65,992	
Staff development, meetings and recruitment	3,249	476	3,413	6,389	3,998	212	1,875	19,612	4,310	2,625	26,547	21,624	
Merchant fees, other fees and dues	5,207	331	107	4,146	735	3,871	154	14,551	7,416	8,709	30,676	40,824	
Volunteer and Board	-	-	-	-	-	65	-	65	910	6,413	7,388	10,205	
Outreach	-	-	-	-	2,918	265	-	3,183	46	11,050	14,279	1,909	
Interest and other	13,518	556	2,802	2,439	2,273	4,635	24,532	50,755	34,450	293	85,498	36,034	
Facilities and indirect allocations	80,677	20,229	31,788	62,782	63,892	10,114	(249,199)	20,283	(105,097)	84,814	-	-	
Expenses before depreciation and amortization	1,680,315	458,967	448,133	851,165	1,149,027	292,219	(1,267)	4,878,559	692,316	455,019	6,025,894	6,084,332	
Depreciation and amortization	7,942	29,166	15,461	13,165	-	3,442	34,137	103,313	453	-	103,766	118,507	
Total expenses	\$ 1,688,257	\$ 488,133	\$ 463,594	\$ 864,330	\$ 1,149,027	\$ 295,661	\$ 32,870	\$ 4,981,872	\$ 692,769	\$ 455,019	\$ 6,129,660	\$ 6,202,839	

Family Tree, Inc.
Statement of Cash Flows
Year Ended June 30, 2017
(With Summarized Financial Information for 2016)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 351,108	\$ 37,166
Items not requiring (providing) cash		
Net realized and unrealized loss on investments	725	9,675
Depreciation and amortization	103,801	118,507
Change in beneficial interest in Community First Foundation	(26,899)	5,799
Loss on disposal of property	26,623	-
Changes in		
Receivables	(135,779)	(39,811)
Inventory	4,088	(5,297)
Prepayments and other	2,884	76,216
Accounts payable and accrued liabilities	43,829	96,442
Other liabilities and deferred revenue	19,506	(28,916)
Net cash provided by operating activities	<u>389,886</u>	<u>269,781</u>
Investing Activities		
Purchase of investments	(2,219)	(2,912)
Proceeds from sales of investments	-	350,000
Net cash provided by (used in) investing activities	<u>(2,219)</u>	<u>347,088</u>
Financing Activities		
Net distribution from beneficial interest in		
Community First Foundation	12,559	12,480
Payments on notes payable	(39,033)	(36,702)
Payments on capital lease obligations	-	(10,276)
Net cash used in financing activities	<u>(26,474)</u>	<u>(34,498)</u>
Change in Cash and Cash Equivalents	361,193	582,371
Cash and Cash Equivalents, Beginning of Year	<u>600,718</u>	<u>18,347</u>
Cash and Cash Equivalents, End of Year	<u>\$ 961,911</u>	<u>\$ 600,718</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 33,489</u>	<u>\$ 33,489</u>
Property and equipment purchases included in accounts payable	<u>\$ 38,032</u>	<u>\$ -</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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

Nature of Operations

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

Family Tree works with vulnerable populations located in the seven-county Denver metro region. Its clients have histories of poverty, trauma, and/or crisis, which do not fit a specific profile, but internal data has identified the most common client demographic across all programs are family units (62%), of which the majority are female headed households (88%), and have annual income under \$20,000 (73%). During the year ended June 30, 2017, Family Tree assisted 26,877 people; 7,802 through direct services and 26,877 through its crisis/informational hotlines. Through both of its residential facilities, Family Tree provided 18,709 nights of safe shelter to individuals and families.

Family Tree's services include:

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

- Community Family Resource Team: 120-day home-based therapy designed to keep youth safely in their homes, providing crisis intervention, school-based assistance, and support to stabilize families. During the year ended June 30, 2017, Family Tree assisted 91 at-risk youth with in-home services; 100% were successfully diverted from further child welfare and court system involvement.
- SafeCare Colorado: nationally-recognized, evidence-based in-home program providing direct skills training in parenting, child safety, and health in Adams, Douglas, and Jefferson counties. During the year ended June 30, 2017, 68% of SafeCare families completed one or more modules, which is proven to demonstrate an increase in parenting knowledge.
- Kinship Programs: home-based financial/supportive services for relative caretakers struggling to maintain stability/housing for children in their care.

Domestic Violence Services: Keeps domestic violence survivors and their children safe through crisis line, emergency shelter, safety planning, legal advocacy, and linkages to community resources. During the year ended June 30, 2017, 19,250 individuals received direct services and assistance through the domestic violence crisis line, a 16% increase from the previous program year.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

- **Women In Crisis:** provides 45-day confidential shelter, case management, and support for survivors and their children. During the year ended June 30, 2017, 540 survivors of domestic violence received shelter and supportive services, an increase of 28% from the prior year. Client surveys showed 92% increased their knowledge of safety strategies and 93% reported increased knowledge of community resources.
- **Legal Advocacy:** increase immediate and long-term safety through civil/criminal legal advocacy and crisis intervention. During the year ended June 30, 2017, 1,042 clients were served, a 70% increase from the previous program year. Ninety-five percent (95%) of those surveyed reported they know more about their rights and options.
- **Domestic Violence Outreach:** increase safety/healing, and decrease isolation of victims and their children through advocacy in a safe, community setting. During the year ended June 30, 2017, 100% of those surveyed reported they feel less alone.
- **Parenting Time Program:** provide a safe environment for children to spend time with nonresidential parent(s). Last fiscal year, services were provided to over 1,600 people. Eighty-six (86%) of those surveyed stated they have been able to maintain or improve their relationship with their children because of this program.

Housing & Family Stabilization Services: Provides individual and family stabilization services through emergency shelter, crisis hotline, homeless prevention services, case management, education, housing and rental assistance and employment counseling, along with ancillary support for people experiencing homelessness or at risk of becoming homeless. During the year ended June 30, 2017, 3,282 people received direct services including rental assistance and case management, and 3,191 people were connected through the crisis hotline.

- **House of Hope:** provides 90-day shelter, case management, and support for homeless women with children. Last year, House of Hope provided emergency residential services to 184 individuals, and 55% of families exiting moved into safe, stable housing.
- **Homelessness Program:** comprehensive support, case management and employment guidance, stabilizing individuals/families and providing access to affordable housing. During the year ended June 30, 2017, 81% of families exiting the Homelessness Program moved into permanent housing. Additionally, 72% of those households who exited maintained or increased their income.

Other Family Tree Programs

- **Treasure Trunk:** is a donation-based community thrift store that offers access to clothing, furniture, and household goods to families and individuals who are on the path towards self-sufficiency. Family Tree provides vouchers usually valued between \$25 and \$250 for Family Tree program participants to gather basic needs items. In the year ended June 30, 2017, more than 1,255 vouchers were redeemed at Treasure Trunk, totaling \$31,445 in assistance to clients.
- **Property Management:** provides safe and secure facilities to ensure continuous operation and control of physical facilities owned and/or used for services.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017, Family Tree's cash accounts exceeded federally insured limits by approximately \$778,500.

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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016.

Deferred Revenue

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

Contributions

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

Contributed Goods and Services

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

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016, totaled \$187,505 and \$231,548, respectively. The allocation of this amount between goods and services is as follows:

	2017	2016
Goods	\$ 163,084	\$ 200,973
Services	24,421	30,575
	\$ 187,505	\$ 231,548

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, but 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).

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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2016, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 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:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 6,171	\$ 38,877
Mutual funds	188,900	124,424
Corporate bonds	-	30,276
	<u> </u>	<u> </u>
Total investments	<u>\$ 195,071</u>	<u>\$ 193,577</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Total investment return is comprised of the following:

	2017	2016
Interest and dividend income	\$ 4,001	\$ 3,235
Net realized and unrealized losses	(725)	(9,675)
	\$ 3,276	\$ (6,440)

See Note 11 regarding the fair value of investments.

Note 3: Receivables

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

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

Receivables consisted of the following as of June 30:

	2017	2016
Accounts receivable - government	\$ 641,241	\$ 586,432
Accounts receivable - other	27,758	9,754
Contributions - pledges and grants	209,999	147,033
Allowance for uncollectible accounts	(15,000)	(15,000)
	\$ 863,998	\$ 728,219

Family Tree celebrated the organization's 40th anniversary year in 2016 and introduced a campaign for multi-year pledges titled "40 More" to acknowledge the milestone. Family Tree has not discounted these amounts for being due in more than one year as the amount of the discount was considered immaterial. At June 30, 2017, contributions are due by June 30 as follows:

2018	\$ 166,549
2019	29,250
2020	14,200
	\$ 209,999

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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 note 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 statements of financial position. Family Tree's interest in Community First, including contributions transferred, match, and investment earnings, totaled \$257,448 and \$243,108 at June 30, 2017 and 2016, respectively.

Note 5: Property and Equipment

Property and equipment at June 30 consisted of:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 2,990,747	\$ 3,001,827
Land and land improvements	635,693	635,693
Furniture, fixtures and equipment	110,340	129,565
Vehicles	<u>68,261</u>	<u>68,261</u>
	3,805,041	3,835,346
Less accumulated depreciation and amortization	<u>(1,975,914)</u>	<u>(1,913,827)</u>
	<u>\$ 1,829,127</u>	<u>\$ 1,921,519</u>

Note 6: Notes Payable

Notes payable include the following at June 30:

	<u>2017</u>	<u>2016</u>
Note payable	<u>\$ 499,201</u>	<u>\$ 538,234</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.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017, Family Tree was in compliance with this covenant.

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

2018	\$ 41,450
2019	43,999
2020	46,641
2021	49,572
2022	<u>317,539</u>
	<u><u>\$ 499,201</u></u>

Note 7: Temporarily and Permanently Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Housing and Family Stabilization Services	\$ 266,987	\$ 56,911
Domestic Violence Services	130,063	114,112
Child and Youth Services	4,647	7,397
Restricted for Future Operations	<u>138,615</u>	<u>119,016</u>
	<u><u>\$ 540,312</u></u>	<u><u>\$ 297,436</u></u>

Permanently restricted net assets at June 30 are restricted to:

	<u>2017</u>	<u>2016</u>
Women in Crisis - endowment fund (Note 4)	<u>\$ 174,917</u>	<u>\$ 174,917</u>

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

	<u>2017</u>	<u>2016</u>
Housing and Family Stabilization Services	\$ 93,786	\$ 74,995
Domestic Violence Services	8,449	75,908
Child and Youth Services	-	3,882
Restricted for Future Operations	<u>52,000</u>	<u>39,067</u>
	<u><u>\$ 154,235</u></u>	<u><u>\$ 193,852</u></u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 8: Operating Leases

Family Tree has operating lease commitments for equipment and program facilities spaces requiring monthly payments ranging from approximately \$400 to \$4,333 through July 2019. Future minimum rental payments required for such operating leases at June 30, 2017 are as follows:

2018	\$ 58,944
2019	58,944
2020	11,281
2021	<u>3,474</u>
Net present value of minimum lease payments	<u><u>\$ 132,643</u></u>

Building lease and rent expense for the years ended June 30, 2017 and 2016 was \$60,879 and \$60,634, respectively.

Note 9: Retirement Plan

Family Tree has a retirement plan (the Plan) under Internal Revenue Code Section 403(b). Employees regularly scheduled to work a minimum of 20 hours per week are eligible to participate in the Plan. The Plan allows for employees to make before-tax or after-tax Roth contributions up to 100% of their annual compensation, as limited annually by the IRS. All contributions to the Plan are fully vested when made. Effective July 1, 2013, Family Tree amended the Plan to include a discretionary employer contribution. The Board of Directors annually determines the amount, if any, of Family Tree's contributions to the Plan. Family Tree made no discretionary contributions to the Plan in 2017 and 2016.

Note 10: Concentrations

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

Contributions

Approximately 14% of all contributions were received from one donor in fiscal year 2017.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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, 2017 and 2016.

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Recurring Measurements

The following tables present 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, 2017 and 2016:

	2017			
	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	\$ 6,171	\$ 6,171	\$ -	\$ -
Fixed income mutual funds				
Short-term investment grade funds	292	292	-	-
Intermediate term investment grade	188,608	188,608	-	-
Beneficial interest in Community First	257,448	-	257,448	-
	<u>\$ 452,519</u>	<u>\$ 195,071</u>	<u>\$ 257,448</u>	<u>\$ -</u>

	2016			
	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	\$ 38,877	\$ 38,877	\$ -	\$ -
Equity mutual funds				
Mid-cap	6,827	6,827	-	-
International	17,822	17,822	-	-
Fixed income mutual funds	99,775	99,775	-	-
Fixed income bonds				
High-grade corporate	30,276	-	30,276	-
Beneficial interest in Community First	243,108	-	243,108	-
	<u>\$ 436,685</u>	<u>\$ 163,301</u>	<u>\$ 273,384</u>	<u>\$ -</u>

Family Tree, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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

	<u>2017</u>	<u>2016</u>
Investments	\$ 195,071	\$ 193,577
Beneficial interest in Community First Foundation	<u>257,448</u>	<u>243,108</u>
	<u>\$ 452,519</u>	<u>\$ 436,685</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
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Programs			
Pass-through programs from			
Colorado Department of Human Services			
Family Violence Prevention and Services	93.671	16 IHFA 82046	\$ 70,749
Federal Temporary Assistance for Needy Families Block Grant	93.558	16 IHFA 82046	33,651
Jefferson County Community Development			
Jefferson County Department of Human Services			
Community Services Block Grant	93.569	CC 15-022	93,614
Arapahoe County Department of Social Services			
Temporary Assistance for Needy Families	93.558	None provided	254,150
Total U.S. Department of Health and Human Services			452,164
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program			
Supportive Housing Program	14.235	CO0052L8T031508	64,054
Supportive Housing Program	14.235	CO0108L8T031403	81,480
Continuum of Care Program	14.267	CO0052L8T031609	35,651
Continuum of Care Program	14.267	CO0108L8T031504	448,384
Continuum of Care Program	14.267	CO0133L8T031500	223,232
Pass-through programs from			
Volunteers of America Colorado Branch - Supportive Housing Program - Youth Transition Project	14.235	None provided/CO0059L8T031609	178,717
Colorado Coalition for the Homeless - Rapid Rehousing Demonstration - Continuum of Care Program	14.267	CO0024L8T031404	24,413
Rapid Rehousing Demonstration - Continuum of Care Program	14.267	CO0024L8T031505	42,085
Colorado Department of Local Affairs - Emergency Solutions Grants Program	14.231	H5ESG14923/H6ESG15923	19,534
Emergency Solutions Grants Program	14.231	H5ESG14961/H6ESG15961	25,494
Emergency Solutions Grants Program	14.231	None provided	34,810
Continuum of Care Program	14.267	H6SCP003/H7SCP021	110,253
Boulder County - Boulder County Continuum of Care	14.267	CO0134L8T031500	38,064
City of Denver - HOME Grow Denver	14.239	EODEV-201626445-00/EODEV-201733169-00	33,686
Total U.S. Department of Housing and Urban Development			1,359,857

Family Tree, Inc.
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Justice</u>			
Direct Program			
Office for Violence Against Women - Transitional Housing Grant	16.736	2013-WH-AX-0029	1,182
Pass-through programs from			
Colorado Department of Public Safety - VOCA Victims of Crime Act One-Time Funding	16.575	2015-VA-GX-0040	9,336
Colorado Department of Public Safety - Division of Criminal Justice - Violence Against Women Formula Grants	16.588	2015-VW-14-008948-01	47,530
Formula Grants - Crime Victim Assistance	16.575	2015-VA-16-013653-01	<u>85,383</u>
Total U.S. Department of Justice			<u>143,431</u>
<u>U.S. Department of Agriculture</u>			
Pass-through programs from			
State of Colorado Department of Health & Environment Child and Adult Food Care Program	10.558	0010280	<u>11,319</u>
Total U.S. Department of Agriculture			<u>11,319</u>
<u>Federal Emergency Management Agency</u>			
Women in Crisis - Emergency Food and Shelter National Board Program	97.024	104200.001	20,759
House of Hope - Emergency Food and Shelter National Board Program	97.024	098000-013	<u>12,000</u>
Total Federal Emergency Management Agency			<u>32,759</u>
			<u>\$ 1,999,530</u>

Family Tree, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Family Tree, Inc. under programs of the federal government for the year ended June 30, 2017. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Family Tree, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Family Tree, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Family Tree, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. Such expenditures are recognized following, as applicable, either the cost principles in OMB or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. There were no federal awards provided to subrecipients.

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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2017.

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 October 26, 2017.

Purpose of this Report

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Tree's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 26, 2017

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 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. Family Tree's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Family Tree's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Family Tree's compliance.

Board of Directors
Family Tree, Inc.

Opinion on Each Major Federal Program

In our opinion, Family Tree, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Family Tree, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Family Tree's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Family Tree's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 the Uniform Guidance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 26, 2017

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

7. Identification of major programs:

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

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

9. Auditee qualified as low-risk auditee?

Yes No

Family Tree, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Family Tree, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Reference Number	Summary of Finding	Status
	No matters are reportable.	