

W.E.A.V.E. Incorporated

**Financial Statements and
Independent Auditors' Report**

June 30, 2012 and 2011

W.E.A.V.E. Incorporated

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Independent Auditors' Report

To the Board of Directors
W.E.A.V.E. Incorporated

We have audited the accompanying statements of financial position of W.E.A.V.E. Incorporated as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of W.E.A.V.E. Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W.E.A.V.E. Incorporated as of June 30, 2012 and 2011, and the changes in net assets, functional expenses and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2012, on our consideration of W.E.A.V.E. Incorporated's internal control over financial reporting and on 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the financial statements. The accompanying Schedule of Expenditures for the California Emergency Management Agency (Criminal Justice Programs) (CalEMA) for the year ended June 30, 2012, is presented for the purpose of additional analysis as required by CalEMA, and is not a required part of the basic 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.

A handwritten signature in dark ink, reading "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 13, 2012

W.E.A.V.E. Incorporated
Statements of Financial Position
June 30, 2012 and 2011

Assets

	2012	2011
Current assets		
Cash and cash equivalents	\$ 492,234	\$ 699,741
Accounts receivable	343,971	301,534
Inventories	51,575	51,575
Current portion of pledges receivable	-	9,075
Prepaid expenses	24,865	21,466
Total current assets	<u>912,645</u>	<u>1,083,391</u>
Noncurrent assets		
Investments	1,315,215	1,250,542
Property and equipment, net	3,727,648	3,641,311
Deposits	42,292	23,380
Pledges receivable, net	-	10,149
Charitable remainder trust assets	648,575	580,906
Total noncurrent assets	<u>5,733,730</u>	<u>5,506,288</u>
Total assets	<u><u>\$ 6,646,375</u></u>	<u><u>\$ 6,589,679</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 140,914	\$ 65,953
Accrued liabilities	247,158	192,850
Refundable advances and deferred revenues	3,349	11,119
Current portion of long-term debt	54,248	50,990
Total current liabilities	<u>445,669</u>	<u>320,912</u>
Noncurrent liabilities		
Long-term debt, net	<u>2,588,080</u>	<u>2,612,192</u>
Total liabilities	<u>3,033,749</u>	<u>2,933,104</u>
Net assets		
Unrestricted	2,824,671	2,789,733
Temporarily restricted	787,955	866,842
Total net assets	<u>3,612,626</u>	<u>3,656,575</u>
Total liabilities and net assets	<u><u>\$ 6,646,375</u></u>	<u><u>\$ 6,589,679</u></u>

See notes to financial statements

W.E.A.V.E. Incorporated

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted net assets		
Revenues		
Government grants	\$ 1,575,137	\$ 1,473,788
Contributions	814,144	761,122
Thrift store income, net of cost of sales	361,698	443,676
Interest and investment income	49,851	88,929
Service fees	142,772	107,013
Other income	43,911	45,090
Net assets released from restriction	<u>378,196</u>	<u>141,960</u>
Total revenues	<u>3,365,709</u>	<u>3,061,578</u>
Expenses		
Intervention programs		
Domestic violence services	1,174,840	1,114,228
Safe house	924,202	877,797
Sexual assault services	263,751	208,957
Other programs		
Prevention services	195,748	141,622
Suited for Success	<u>18,540</u>	<u>27,342</u>
Total program services	<u>2,577,081</u>	<u>2,369,946</u>
Supporting services		
Thrift stores	246,272	363,195
Fund development	372,536	250,577
Management and general	<u>134,882</u>	<u>132,111</u>
Total expenses	<u>3,330,771</u>	<u>3,115,829</u>
Increase (decrease) in unrestricted net assets	<u>34,938</u>	<u>(54,251)</u>
Temporarily restricted net assets		
Contributions	231,640	426,895
Change in value of charitable remainder trust assets	67,669	7,151
Net assets released from restriction	<u>(378,196)</u>	<u>(141,960)</u>
Increase (decrease) in temporarily restricted net assets	<u>(78,887)</u>	<u>292,086</u>
Increase (decrease) in net assets	(43,949)	237,835
Net assets, beginning of year	<u>3,656,575</u>	<u>3,418,740</u>
Net assets, end of year	<u><u>\$ 3,612,626</u></u>	<u><u>\$ 3,656,575</u></u>

See notes to financial statements

W.E.A.V.E. Incorporated

Statements of Functional Expenses

Year Ended June 30, 2012

	Intervention Programs			Other Programs		Supporting Services			
	Domestic Violence Services	Safehouse	Sexual Assault Services	Prevention Services	Suited for Success	Thrift Stores	Fund Development	Management and General	Total
Personnel	\$ 820,514	\$ 608,678	\$ 227,773	\$ 175,026	\$ 11,622	\$ 154,407	\$ 215,676	\$ 82,289	\$ 2,295,985
Cost of sales	-	-	-	-	-	354,951	-	-	354,951
Occupancy	107,857	83,163	12,226	-	4,574	60,767	-	13,862	282,449
Professional services	55,085	5,987	3,531	-	78	1,041	52	7,900	73,674
Depreciation and amortization	16,467	128,008	4,701	3,091	-	-	1,546	6,327	160,140
Interest expense	81,023	30,000	-	-	-	-	-	13,190	124,213
Telecommunications	16,612	12,317	1,337	471	381	5,063	773	2,463	39,417
Business insurance and taxes	11,427	9,629	-	-	881	11,710	-	1,860	35,507
Supplies and materials	10,949	2,290	1,596	5,722	373	4,959	451	1,525	27,865
Printing and photocopying	3,059	3,043	2,826	4,559	8	101	4,244	19	17,859
Furniture and equipment	17,840	23,442	856	-	39	515	-	2,645	45,337
Travel	3,733	3,506	4,000	5,007	63	838	3,134	364	20,645
Public relations	935	360	504	-	-	-	22,409	-	24,208
Computer hardware/software	5,041	-	-	595	-	-	11,772	821	18,229
Merchant credit card fees	432	68	41	-	505	6,709	2,975	58	10,788
Recovery on pledges deemed uncollectible	-	-	-	-	-	-	13,155	(1,224)	11,931
Meetings and events	-	6,794	-	-	-	-	87,217	-	94,011
Postage and delivery	3,300	71	299	538	-	-	4,521	518	9,247
Volunteer and employee appreciation	4,427	660	15	-	12	157	1,456	716	7,443
Client emergency expenses	1,717	4,163	1,120	-	-	-	-	-	7,000
Membership dues and subscriptions	2,378	344	482	200	-	-	1,877	241	5,522
Seminar fees and related travel	5,242	1,618	2,360	224	-	-	1,143	169	10,756
Board expense	4,551	49	67	15	4	5	44	778	5,513
Outreach	31	12	17	300	-	-	91	-	451
Recruitment	2,220	-	-	-	-	-	-	361	2,581
Total functional expenses	1,174,840	924,202	263,751	195,748	18,540	601,223	372,536	134,882	3,685,722
Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets	-	-	-	-	-	(354,951)	-	-	(354,951)
Total expenses on the statement of activities	\$ 1,174,840	\$ 924,202	\$ 263,751	\$ 195,748	\$ 18,540	\$ 246,272	\$ 372,536	\$ 134,882	\$ 3,330,771

(continued)

W.E.A.V.E. Incorporated

Statements of Functional Expenses - Continued

Year Ended June 30, 2011

	Intervention Programs			Other Programs		Supporting Services			
	Domestic Violence Services	Safehouse	Sexual Assault Services	Prevention Services	Suited for Success	Thrift Stores	Fund Development	Management and General	Total
Personnel	\$ 785,616	\$ 547,389	\$ 191,962	\$ 125,619	\$ 12,921	\$ 171,662	\$ 197,451	\$ 77,018	\$ 2,109,638
Cost of sales	-	-	-	-	-	435,584	-	-	435,584
Occupancy	97,330	70,481	1,758	-	11,413	151,634	-	15,313	347,929
Professional services	76,988	7,285	451	-	405	5,377	3,934	12,397	106,837
Depreciation and amortization	15,456	125,195	4,637	3,091	-	-	1,546	6,182	156,107
Interest expense	52,983	65,192	-	-	-	-	-	8,625	126,800
Telecommunications	14,565	13,389	646	787	499	6,627	746	2,230	39,489
Business insurance and taxes	10,733	8,844	-	-	736	9,772	-	1,747	31,832
Supplies and materials	9,763	2,351	2,027	2,949	510	6,776	458	1,392	26,226
Printing and photocopying	4,357	1,556	2,752	3,900	1	17	4,066	312	16,961
Furniture and equipment	23,070	9,205	99	-	11	146	-	3,726	36,257
Travel	3,719	4,066	2,512	3,326	104	1,379	1,309	464	16,879
Public relations	39	95	-	-	26	349	3,334	6	3,849
Computer hardware/software	4,334	191	-	-	3	44	11,082	672	16,326
Merchant credit card fees	144	-	-	-	704	9,349	4,862	23	15,082
Recovery on pledges deemed uncollectible	-	-	-	-	-	-	(2,127)	-	(2,127)
Meetings and events	-	16,234	-	-	-	-	13,804	-	30,038
Postage and delivery	4,091	88	297	682	-	1	5,105	650	10,914
Volunteer and employee appreciation	3,356	549	255	-	3	34	142	520	4,859
Client emergency expenses	390	4,878	426	-	-	-	-	-	5,694
Membership dues and subscriptions	2,245	242	339	-	2	23	2,210	263	5,324
Seminar fees and related travel	3,157	444	625	306	-	-	1,275	114	5,921
Board expense	69	49	67	15	4	5	401	48	658
Outreach	-	-	-	947	-	-	979	-	1,926
Recruitment	1,629	-	-	-	-	-	-	265	1,894
Miscellaneous	194	74	104	-	-	-	-	144	516
Total functional expenses	1,114,228	877,797	208,957	141,622	27,342	798,779	250,577	132,111	3,551,413
Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets	-	-	-	-	-	(435,584)	-	-	(435,584)
Total expenses on the statement of activities	\$ 1,114,228	\$ 877,797	\$ 208,957	\$ 141,622	\$ 27,342	\$ 363,195	\$ 250,577	\$ 132,111	\$ 3,115,829

See notes to financial statements

W.E.A.V.E. Incorporated

Statements of Cash Flows

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (43,949)	\$ 237,835
Reconciliation of change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized gain on investments	(24,803)	(75,033)
Depreciation and amortization	160,140	156,107
(Gain) loss on sale of equipment	-	(20)
Donated property and equipment	-	(5,585)
Changes in		
Accounts receivable	(42,437)	4,981
Inventories	-	16,554
Pledges receivable	19,224	133,845
Prepaid expenses	(3,399)	(8,324)
Deposits	(18,912)	(8,464)
Charitable remainder trust assets	(67,669)	(7,151)
Accounts payable	(25,220)	44,005
Accrued liabilities	54,308	56,464
Refundable advances and deferred revenues	<u>(7,770)</u>	<u>5,395</u>
Net cash (used in) provided by operating activities	<u>(487)</u>	<u>550,609</u>
Cash flows from investing activities		
Purchases of investments	(239,263)	(764,933)
Proceeds from sale of investments	199,393	67,888
Purchases of property and equipment	<u>(146,296)</u>	<u>(20,350)</u>
Net cash used in investing activities	<u>(186,166)</u>	<u>(717,395)</u>
Cash flows from financing activities		
Principal payments on long-term debt	(50,989)	(48,403)
Proceeds from incurring long-term debt	<u>30,135</u>	<u>-</u>
Net cash used in financing activities	<u>(20,854)</u>	<u>(48,403)</u>
Net decrease in cash and cash equivalents	(207,507)	(215,189)
Cash and cash equivalents, beginning of year	<u>699,741</u>	<u>914,930</u>
Cash and cash equivalents, end of year	<u><u>\$ 492,234</u></u>	<u><u>\$ 699,741</u></u>
Supplemental cash flow information		
Cash paid for interest	<u><u>\$ 94,213</u></u>	<u><u>\$ 96,799</u></u>

Significant noncash investing and financing activity:

As of June 30, 2012 accounts payable includes \$100,180 of purchases of property and equipment

See notes to financial statements

W.E.A.V.E. Incorporated
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 - Organization and Nature of Operations

W.E.A.V.E. Incorporated (W.E.A.V.E.) is a nonprofit corporation established in 1978 to bring an end to domestic violence and sexual assault in partnership with the community. W.E.A.V.E.'s programs and services include the following:

Safehouse - The Safehouse, with 18 family suites serving up to 80 clients, provides temporary, confidential emergency shelter for battered women and their children. Services for women include crisis intervention counseling, social service advocacy, emergency transportation, food and clothing. Services for children under age 17 include an onsite charter school, individual and group counseling, abuse identification and intervention, safety planning, life-skills training and advocacy.

24-hour crisis line - Counselors provide crisis intervention counseling, advocacy, and information and referrals to callers. Interpreting services are available in 24 languages.

Domestic violence and sexual assault counseling - W.E.A.V.E.'s counseling program provides both individual and group counseling services to survivors of domestic violence and sexual assault, their children and their significant others.

Legal advocacy - W.E.A.V.E. provides individual consultations, workshop, and court accompaniment services to victims of domestic violence. Advocates assist victims in obtaining restraining orders and resolving family law matters such as child custody and support issues.

Sexual Assault Response Team (SART) - SART advocates provide crisis intervention counseling and advocacy services during evidentiary exams and law enforcement interviews at UC Davis Medical Center to sexual assault victims on a 24-hour-a-day basis.

Domestic Violence Response Team (DVRT) - In partnership with the Sacramento County Sheriff's Department, the DVRT provides immediate crisis intervention, counseling and advocacy services to victims of domestic violence.

Prevention and education - W.E.A.V.E. provides education to adults and youth in schools, health care settings, social service organizations, houses of worship, colleges, governmental entities and the private sector. Outreach topics including the cycle of violence, domestic violence in the workplace, teen dating violence, sexual assault prevention and victims' advocacy.

Children's services - W.E.A.V.E. addresses children's needs with an array of services, including individual and group counseling, play therapy and outreach in public schools.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Suited for Success - This program provides wardrobe consultation, interview outfits and employment coordination for welfare-to-work and W.E.A.V.E. clients re-entering the workforce.

W.E.A.V.E. obtains most of its funding from the following sources:

- Grants from federal government agencies, including the Office of Emergency Services (Office of Criminal Justice and Planning), the Department of Health and Human Services and the Federal Emergency Management Agency;
- Grants from state of California government agencies, including the Department of Health Services;
- Grants from Sacramento County agencies, including the Department of Human Assistance, the Sheriff's Department and the Department of Health and Human Services;
- Contributions, fundraising activities and private foundation grants; and
- Revenue-generating retail operations run by and for W.E.A.V.E. and supported by community donations, volunteers and customers.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*. Under ASC 958-205, W.E.A.V.E. reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. W.E.A.V.E. does not have any permanently restricted net assets.

Cash and Cash Equivalents

For financial statement purposes, W.E.A.V.E. considers all investments with a maturity at purchase of three months or less to be cash equivalents.

Accounts Receivable and Pledges Receivable

Accounts receivable and pledges receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2012 and 2011, there is no allowance for doubtful

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

accounts for accounts receivable. As of June 30, 2012 and 2011, the allowance for doubtful accounts for pledges receivable is \$0 and \$1,102, respectively.

Inventories

Inventories consist primarily of donated thrift store goods and are state at fair market value.

Investments

Investments are stated at fair value based on quoted market prices. Investments are intended to be held long-term.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value as of the date of donation and depreciated using the straight-line method over estimated useful lives of five to thirty years. W.E.A.V.E. capitalizes all expenditures of property and equipment in excess of \$3,000.

Impairment of Long-Lived Assets

W.E.A.V.E. reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during the years ended June 30, 2012 and 2011.

Revenue Recognition

Revenues from government grants are recognized when qualifying expenses are incurred. Grant funds received but not earned are recorded as refundable advances.

Contributions, including fundraiser proceeds and private foundation grants, are recognized in full when received or unconditionally promised, in accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Donated goods and services, including thrift store contributions, are recorded at their estimated fair market value.

Contributions accompanied by donor restrictions are initially reported as increases in temporarily restricted net assets. When a restriction expires (generally, as payments are made to fulfill the donor-imposed purpose of the contribution), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

For the years ended June 30, 2012 and 2011, contributions which represent a direct benefit to donors, net of costs, are \$57,018 and \$9,099, respectively.

Income Taxes

W.E.A.V.E. has applied for and received a determination letter from the Internal Revenue Service (IRS) to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended June 30, 2012 and 2011. Due to its tax exempt status, the Agency is not subject to income taxes. The Agency is required to file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Agency has no other tax positions which must be considered for disclosure. The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2008.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated between the functional areas based on management estimates of employees' time incurred and on resource usage.

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 certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 3 - Accounts Receivable

Accounts receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Government grants	\$ 320,104	\$ 281,149
Other	<u>23,867</u>	<u>20,385</u>
Total	<u>\$ 343,971</u>	<u>\$ 301,534</u>

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 4 - Pledges Receivable

W.E.A.V.E recognizes pledges receivable at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows. The discount rate used in determining the net present value of pledges receivable was 3.2% at June 30, 2011. Pledges receivable consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Gross pledges receivable	\$ -	\$ 20,326
Less unamortized discount	-	(507)
Less allowance for doubtful accounts	-	(595)
	<u>-</u>	<u>-</u>
Pledges receivable, net	<u>\$ -</u>	<u>\$ 19,224</u>

Pledges receivable to be collected consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Within one year	\$ -	\$ 9,075
In one to three years	-	10,149
	<u>-</u>	<u>-</u>
Pledges receivable, net	<u>\$ -</u>	<u>\$ 19,224</u>

Note 5 - Investments

Investments recorded at fair value consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Endowments	\$ 5,326	\$ -
Certificates of deposits	95,533	139,056
Corporate bonds	178,708	75,730
Mutual funds	47,335	44,391
Equity securities	988,313	991,365
	<u>1,315,215</u>	<u>1,250,542</u>
Total	<u>\$ 1,315,215</u>	<u>\$ 1,250,542</u>

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Interest and net investment income consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 25,048	\$ 13,896
Net realized and unrealized gains	<u>24,803</u>	<u>75,033</u>
Total	<u>\$ 49,851</u>	<u>\$ 88,929</u>

Note 6 - Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 158,000	\$ 158,000
Buildings and improvements	5,066,067	4,826,876
Equipment	167,460	170,798
Vehicles	<u>48,516</u>	<u>48,516</u>
	5,440,043	5,204,190
Less accumulated depreciation	<u>(1,712,395)</u>	<u>(1,562,879)</u>
Property and equipment, net	<u>\$ 3,727,648</u>	<u>\$ 3,641,311</u>

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 7 - Charitable Remainder Trust Assets

Charitable remainder trust assets reflect the estimated fair value of two irrevocable charitable trusts, held by third-party trustees, for which W.E.A.V.E. is a remainder beneficiary. The trust agreements provide payments to designated lead beneficiaries equaling the lesser of 5% of trust net assets or total trust net income, with catch-up provisions. After each trust's specified term, W.E.A.V.E.'s share of the remainder of trust net assets will be distributed. The net present value of these assets was determined using an investment return consistent with the composition of the asset portfolio, life expectancies of the lead beneficiaries, and a discount rate of 1.2% and 3.2% at June 30, 2012 and 2011, respectively. The donors did not impose any purpose restrictions on W.E.A.V.E.'s use of the funds when eventually received. The trusts and their significant terms are as follows as of June 30:

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Hansen CRT-10% remainder interest in a unitrust established in 2000; term is the lesser of 20 years from establishment (2020) or the lives of both lead beneficiaries; term is assumed to be 20 years, based on actuarial estimates.	\$ 481,736	\$ 433,002	\$ 48,734
Harvey CRT-100% remainder interest in a unitrust of which W.E.A.V.E. was named beneficiary in 2000; term is the lives of both lead beneficiaries, assumed to be five years from the date of these financial statements (2016) based on actuarial estimates.	<u>166,839</u>	<u>147,904</u>	<u>18,935</u>
Total	<u><u>\$ 648,575</u></u>	<u><u>\$ 580,906</u></u>	<u><u>\$ 67,669</u></u>

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 8 - Fair Value Measurements and Disclosures

W.E.A.V.E. measures the fair value of its investments and charitable remainder trust assets on a recurring basis in the financial statements. The following summarizes the three levels of inputs and hierarchy of fair value W.E.A.V.E. uses when measuring fair value:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that W.E.A.V.E. has the ability to access;
- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

W.E.A.V.E.'s assets subject to fair value measurements and disclosures are classified as follows:

	June 30, 2012		
	Level 1	Level 2	Level 3
Investments*	\$ 1,040,974	\$ -	\$ -
Corporate bonds	-	178,708	-
Certificates of deposit	-	95,533	-
Charitable remainder interests from third parties	-	-	648,575
Total	<u>\$ 1,040,974</u>	<u>\$ 274,241</u>	<u>\$ 648,575</u>

	June 30, 2011		
	Level 1	Level 2	Level 3
Investments*	\$ 1,035,756	\$ -	\$ -
Corporate bonds	-	75,730	-
Certificates of deposit	-	139,056	-
Charitable remainder interests from third parties	-	-	580,906
Total	<u>\$ 1,035,756</u>	<u>\$ 214,786</u>	<u>\$ 580,906</u>

*Investments include stocks and mutual funds.

W.E.A.V.E.'s charitable remainder interests receivable from third parties are classified within Level 3 of the hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Changes in the Level 3 charitable remainder interest receivables for the fiscal year end consist of the following:

	2012	2011
July 1	\$ 580,906	\$ 573,755
Unrealized increase in fair value	67,669	7,151
June 30	<u>\$ 648,575</u>	<u>\$ 580,906</u>

Note 9 - Long-Term Debt

Long-term debt consists of the following at June 30:

	2012	2011
Fixed-rate mortgage payable, secured by the 1900 K Street building, payable in \$12,100 monthly installments including interest at 5.65% per annum, maturing May 2015 with balloon payment of \$1,442,488. For the years ended June 30, 2012 and 2011, interest expense totaled \$94,213 and \$96,799, respectively.	\$ 1,612,193	\$ 1,663,182
Mortgage note payable to Department of Housing and Community Development Emergency Housing and Assistance Program (EHAP), secured by the Safehouse, with simple interest of 3% per annum. No monthly payments through maturity in December 2016, at which time all outstanding principal and accrued interest will be forgiven provided that W.E.A.V.E. continues to operate the Safehouse as an emergency shelter, a transitional housing facility, or a safe haven throughout the term. For each of the years ended June 30, 2012 and 2011, interest expense totaled \$30,000. Accrued interest as of June 30, 2012 and 2011 is \$87,500 and \$57,500, respectively, and is included in accrued liabilities on the statements of financial position.	1,000,000	1,000,000

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Mortgage note payable in the amount of \$1,000,000 to the Department of Housing and Community Development Emergency Housing and Assistance Program (EHAP), secured by Transitional Housing Cottages, with simple interest of 3% per annum. No monthly payments through maturity in May 2021, at which time all outstanding principal and accrued interest will be forgiven provided that W.E.A.V.E. continues to operate the Cottages as an emergency shelter, a transitional housing facility, or a safe haven throughout the term. As of June 30, 2012, \$30,135 has been drawn and \$969,865 is available to be drawn on the loan. (Construction in progress)	<u>30,135</u>	<u>-</u>
Less current portion	<u>2,642,328</u> <u>(54,248)</u>	<u>2,663,182</u> <u>(50,990)</u>
Long-term debt, net	<u>\$ 2,588,080</u>	<u>\$ 2,612,192</u>

Future annual maturities of long-term debt over each of the next five years and thereafter subsequent to June 30, 2012 are as follows:

2013	\$ 54,248
2014	57,945
2015	1,500,000
2016	-
2017	1,000,000
Thereafter	<u>30,135</u>
Total	<u>\$ 2,642,328</u>

For the years ended June 30, 2012 and 2011, interest expense was \$124,213 and \$126,799, respectively.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Charitable remainder trust assets, unconditionally promised but not received (time restriction only)	\$ 648,575	\$ 580,906
Other time restricted contributions	<u>139,380</u>	<u>285,936</u>
Total	<u>\$ 787,955</u>	<u>\$ 866,842</u>

Note 11 - Operating Lease Obligations

W.E.A.V.E. leases its thrift store buildings and some office equipment under non-cancelable operating lease agreements expiring in 2014 through 2017.

Rental expenses for the years ended June 30, 2012 and 2011 are \$134,488 and \$171,348, respectively.

Future minimum lease payments through June 30, 2018 are as follows:

2013	\$ 110,306
2014	114,473
2015	89,752
2016	57,807
2017	11,974
2018	<u>651</u>
	<u>\$ 384,963</u>

Note 12 - Operating Lease Receipts

W.E.A.V.E. is the lessor for the ground floor of its K Street building under a non-cancelable operating lease agreements expiring August 31, 2014.

Rental revenue for the years ended June 30, 2012 and 2011 are \$41,248 and \$40,248, respectively, and is included in other income in the statements of activities and changes in net assets.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Future minimum rental revenue through June 30, 2015 is as follows:

2013	\$	40,188
2014		40,188
2015		<u>6,698</u>
	\$	<u>87,074</u>

Note 13 - Contributed Goods and Services

W.E.A.V.E. receives donated clothing and household items for resale or for use in the shelter. As of June 30, 2012 and 2011, corresponding estimated values of \$361,745 and \$431,750, respectively, are recognized as contribution and once sold is recorded as thrift store income in the financial statements.

Volunteers donated approximately 9,009 and 9,315 hours during 2012 and 2011, respectively, to W.E.A.V.E. to assist in administration, fundraising, and program activities. The value of this donated time is not recognized in the accompanying financial statements because it does not meet the criteria for recognition under ASC 958-605.

Note 14 - Retirement Plan

W.E.A.V.E. sponsors an employee retirement plan under IRC §401(k). All employees of at least 21 years of age who have completed at least one year of service, including at least 1,000 hours, are eligible to participate. Employer contributions are discretionary and vest at 20% per year beginning with completion of one year of service. Employee contributions are limited to \$16,500 per year or \$22,000 per year if the employee is over 50 years of age. Total plan costs were \$950 and \$982 for 2012 and 2011, respectively. Employer contributions were \$0 and \$6,967 for 2012 and 2011, respectively.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 15 - Overhead Percentage

W.E.A.V.E. measures the ratio of its supporting service expenses to its total revenues, exclusive of thrift store activities, as of June 30, 2012 and 2011 as follows:

	2012		2011	
	Amounts	% of Total Revenues	Amounts	% of Total Revenues
Supporting service expenses				
Fund development	\$ 372,536	12.7%	\$ 250,577	8.6%
Management and general	134,882	4.6%	132,111	4.5%
Total supporting services, net	<u>\$ 507,418</u>	<u>17.3%</u>	<u>\$ 382,688</u>	<u>13.1%</u>
Total revenues				
Total unrestricted revenues	\$ 3,365,709		\$ 3,061,578	
Increase (decrease) in temporarily restricted net assets	(78,887)		292,086	
Less net thrift store income	<u>(361,698)</u>		<u>(443,676)</u>	
Total revenues, net	<u>\$ 2,925,124</u>		<u>\$ 2,909,988</u>	

Note 16 - Construction Contract

W.E.A.V.E. entered into a construction contract with Cuttle Construction Company, Inc. in the amount of \$826,651 for the construction of a transitional shelter. As of June 30, 2012, no construction costs have been incurred.

Note 17 - Concentration of Credit Risk

W.E.A.V.E. maintains its cash balances in bank deposit accounts. At times, these balances may exceed the federal insurance limits; however, W.E.A.V.E. has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2012.

Note 18 - Contingency

W.E.A.V.E.'s government funding is subject to audit by granting agencies. Although such audits could generate expense disallowances under terms of the grants, management believes that any required reimbursements would not be material to W.E.A.V.E. as a whole.

W.E.A.V.E. Incorporated

Notes to Financial Statements - Continued

June 30, 2012 and 2011

Note 19 - Subsequent Events

Management evaluated all activity of W.E.A.V.E. through November 13, 2012 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

W.E.A.V.E. Incorporated
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ (Pass-through Grantor)/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services Passed through the University of Pittsburgh Prevention and Control Research (IPV/SA)	93.136	119862-04	\$ 26,020
Passed through the Sacramento Employment and Training Agency Victims of Trafficking	93.598	238078VHT(E)	60,000
Passed through the California Department of Public Health Prevention and Control Research (IPV/SA)	93.136	09-11632-02	32,976
Prevention and Control Research (IPV/SA)	93.136	11-10387	32,991
Passed through the Regents of University of California Davis Prevention and Control Research (IPV/SA)	93.136	09000582-01	7,770
U.S. Department of Homeland Security Passed through the Sacramento Regional Emergency Food and Shelter Board Emergency Food and Shelter Program	97.024	28-082400-23	67,650
U.S. Department of Justice Passed through the California Emergency Management Agency Fed Victims of Crime Act	16.575 *	DV10261196	205,569
Fed Victims of Crime Act	16.575 *	RC10231196	39,702
Fed Victims of Crime Act	16.575 *	RC11241196	239,140
Violence Against Women Act	16.588	RC10231196	37,091
Passed through the City of Elk Grove Violence Against Women Act	16.590	C-11-207	<u>17,227</u>
Total federal expenditures			<u><u>\$ 766,136</u></u>

* Tested as a major program

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of W.E.A.V.E. Incorporated 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.

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Directors
W.E.A.V.E. Incorporated

We have audited the financial statements of W.E.A.V.E. Incorporated as of June 30, 2012, and have issued our report thereon dated November 13, 2012. 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.

Internal Control over Financial Reporting

Management of W.E.A.V.E. Incorporated is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered W.E.A.V.E. Incorporated's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of W.E.A.V.E. Incorporated's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether W.E.A.V.E. Incorporated's financial statements are free of 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.

This report is intended solely for the information and use of the audit committee, board of directors, management, the federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 13, 2012

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

To the Board of Directors
W.E.A.V.E. Incorporated

We have audited W.E.A.V.E. Incorporated'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 W.E.A.V.E. Incorporated's major federal programs for the year ended June 30, 2012. W.E.A.V.E. Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of W.E.A.V.E. Incorporated's management. Our responsibility is to express an opinion on W.E.A.V.E. Incorporated's compliance based on our audit.

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 W.E.A.V.E. Incorporated'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. Our audit does not provide a legal determination of W.E.A.V.E. Incorporated's compliance with those requirements.

In our opinion, W.E.A.V.E. Incorporated 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, 2012.

Internal Control over Compliance

Management of W.E.A.V.E. Incorporated is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered W.E.A.V.E. Incorporated's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 W.E.A.V.E. Incorporated'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, board of directors, management, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Sacramento, California
November 13, 2012

W.E.A.V.E. Incorporated

Schedule of Findings and Questioned Costs

June 30, 2012 and 2011

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of W.E.A.V.E. Incorporated.
2. No significant deficiencies or material weakness were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of W.E.A.V.E. Incorporated were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for W.E.A.V.E. Incorporated expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for W.E.A.V.E. Incorporated.
7. The programs tested as major programs include:
 - U.S. Department of Justice, CFDA No. 16.575 - \$484,411 which represents 63% of total federal awards
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. W.E.A.V.E. Incorporated is a low-risk auditee.

B. Findings - Financial Statements Audit

NONE

C. Findings and Questioned Costs - Major Federal Award Programs Audit

NONE

W.E.A.V.E. Incorporated
Schedule of Expenditures
California Emergency Management Agency (Criminal Justice Programs)
Year Ended June 30, 2012

<u>Grant Number</u>	<u>Grant Period</u>	<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Cash Total</u>	<u>Less State Portion</u>	<u>Federal Portion</u>	<u>Match Portion</u>	<u>Total Cash + Match</u>
DV11261196	7/1/2011 - 6/30/2012	\$ 352,575	\$ 51,090	\$ 403,665	\$ (198,096)	\$ 205,569	\$ 19,810	\$ 423,475
RC10231196	9/1/2010 - 8/31/2011	47,207	28,390	75,597	1,196	76,793	21,445	97,042
RC11241196	9/1/2011 - 8/31/2012	<u>248,336</u>	<u>57,264</u>	<u>305,600</u>	<u>(66,459)</u>	<u>239,141</u>	<u>-</u>	<u>305,600</u>
		<u>\$ 648,118</u>	<u>\$ 136,744</u>	<u>\$ 784,862</u>	<u>\$ (263,359)</u>	<u>\$ 521,503</u>	<u>\$ 41,255</u>	<u>\$ 826,117</u>