

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**W.E.A.V.E. INCORPORATED**

JUNE 30, 2011 AND 2010

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 statement of financial position of W.E.A.V.E. Incorporated as of June 30, 2011, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the W.E.A.V.E. Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of W.E.A.V.E. Incorporated as of June 30, 2010 and for the year then ended were audited by other auditors who have expressed an unqualified opinion on those financial statements in their report dated October 18, 2010.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2011 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, 2011, the results of its activities and changes in net assets, functional expenses and its cash flows for the year 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 1, 2011, 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 basic financial statements taken 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 basic financial statements. The accompanying Schedule of Expenditures for the California Emergency Management Agency (Criminal Justice Programs) (CalEMA) for the year ended June 30, 2011, 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Reznick Group, P.C.*

Sacramento, California  
November 1, 2011

W.E.A.V.E. Incorporated

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS

|                                       | 2011                | 2010                |
|---------------------------------------|---------------------|---------------------|
| Current assets                        |                     |                     |
| Cash and cash equivalents             | \$ 699,741          | \$ 914,930          |
| Accounts receivable                   | 301,534             | 306,515             |
| Inventories                           | 51,575              | 68,129              |
| Current portion of pledges receivable | 9,075               | 126,318             |
| Prepaid expenses                      | 21,466              | 13,142              |
| Total current assets                  | <u>1,083,391</u>    | <u>1,429,034</u>    |
| Noncurrent assets                     |                     |                     |
| Investments                           | 1,250,542           | 478,443             |
| Property and equipment, net           | 3,641,311           | 3,771,483           |
| Deposits                              | 23,380              | 14,917              |
| Pledges receivable, net               | 10,149              | 26,751              |
| Charitable remainder trust assets     | 580,906             | 573,755             |
| Total noncurrent assets               | <u>5,506,288</u>    | <u>4,865,349</u>    |
| Total assets                          | <u>\$ 6,589,679</u> | <u>\$ 6,294,383</u> |

LIABILITIES AND NET ASSETS

|   |                     |                     |
|---|---------------------|---------------------|
| Current liabilities                       |                     |                     |
| Accounts payable                          | \$ 65,953           | \$ 21,948           |
| Accrued liabilities                       | 192,850             | 136,386             |
| Refundable advances and deferred revenues | 11,119              | 5,724               |
| Current portion of long-term debt         | 50,990              | 48,227              |
| Total current liabilities                 | <u>320,912</u>      | <u>212,285</u>      |
| Noncurrent liabilities                    |                     |                     |
| Long-term debt, net                       | 2,612,192           | 2,663,358           |
| Total liabilities                         | <u>2,933,104</u>    | <u>2,875,643</u>    |
| Net assets                                |                     |                     |
| Unrestricted                              | 2,789,733           | 2,843,984           |
| Temporarily restricted                    | 866,842             | 574,756             |
| Total net assets                          | <u>3,656,575</u>    | <u>3,418,740</u>    |
| Total liabilities and net assets          | <u>\$ 6,589,679</u> | <u>\$ 6,294,383</u> |

See notes to financial statements

W.E.A.V.E. Incorporated

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Unrestricted net assets                                  |                     |                     |
| Revenues   |                     |                     |
| Government grants  | \$ 1,473,788        | \$ 1,480,943        |
| Contributions  | 761,122             | 777,020             |
| Thrift store income, net of cost of sales                | 443,676             | 451,293             |
| Interest and investment income                           | 88,929              | 28,488              |
| Service fees   | 107,013             | 123,909             |
| Other income   | 45,090              | 29,774              |
| Net assets released from restriction                     | <u>141,960</u>      | <u>213,419</u>      |
| Total revenues   | <u>3,061,578</u>    | <u>3,104,846</u>    |
| Expenses   |                     |                     |
| Intervention programs                                    |                     |                     |
| Domestic violence services                               | 1,114,228           | 1,145,907           |
| Safe house   | 877,797             | 753,232             |
| Sexual assault services                                  | 208,957             | 216,178             |
| Other programs   |                     |                     |
| Prevention services                                      | 141,622             | 150,969             |
| Suited for Success                                       | <u>27,342</u>       | <u>99,995</u>       |
| Total program services                                   | <u>2,369,946</u>    | <u>2,366,281</u>    |
| Supporting services                                      |                     |                     |
| Thrift stores  | 363,195             | 354,469             |
| Fund development   | 250,577             | 224,630             |
| Management and general                                   | <u>132,111</u>      | <u>132,113</u>      |
| Total expenses   | <u>3,115,829</u>    | <u>3,077,493</u>    |
| Increase (decrease) in unrestricted net assets           | <u>(54,251)</u>     | <u>27,353</u>       |
| Temporarily restricted net assets                        |                     |                     |
| Contributions  | 426,895             | 130,500             |
| Change in value of charitable remainder trust assets     | 7,151               | 48,443              |
| Net assets released from restriction                     | <u>(141,960)</u>    | <u>(213,419)</u>    |
| Increase (decrease) in temporarily restricted net assets | <u>292,086</u>      | <u>(34,476)</u>     |
| Increase (decrease) in net assets                        | 237,835             | (7,123)             |
| Net assets, beginning of year                            | <u>3,418,740</u>    | <u>3,425,863</u>    |
| Net assets, end of year                                  | <u>\$ 3,656,575</u> | <u>\$ 3,418,740</u> |

See notes to financial statements

W.E.A.V.E. Incorporated

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2011

|   | Intervention Programs      |                   |                         | Other Programs      |                    | Supporting Services |                   |                        | Total               |
|---|----------------------------|-------------------|-------------------------|---------------------|--------------------|---------------------|-------------------|------------------------|---------------------|
|   | Domestic Violence Services | Safehouse         | Sexual Assault Services | Prevention Services | Suited for Success | Thrift Stores       | Fund Development  | Management and General |                     |
| 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                 |
| <b>Total functional expenses</b>  | <b>1,114,228</b>           | <b>877,797</b>    | <b>208,957</b>          | <b>141,622</b>      | <b>27,342</b>      | <b>798,779</b>      | <b>250,577</b>    | <b>132,111</b>         | <b>3,551,413</b>    |
| Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets | -                          | -                 | -                       | -                   | -                  | (435,584)           | -                 | -                      | (435,584)           |
| <b>Total expenses on the statement of activities</b>  | <b>\$ 1,114,228</b>        | <b>\$ 877,797</b> | <b>\$ 208,957</b>       | <b>\$ 141,622</b>   | <b>\$ 27,342</b>   | <b>\$ 363,195</b>   | <b>\$ 250,577</b> | <b>\$ 132,111</b>      | <b>\$ 3,115,829</b> |

(continued)

W.E.A.V.E. Incorporated

STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2010

|   | Intervention Programs      |                   |                         | Other Programs      |                    | Supporting Services |                   |                        | Total               |
|---|----------------------------|-------------------|-------------------------|---------------------|--------------------|---------------------|-------------------|------------------------|---------------------|
|   | Domestic Violence Services | Safehouse         | Sexual Assault Services | Prevention Services | Suited for Success | Thrift Stores       | Fund Development  | Management and General |                     |
| Personnel   | \$ 798,709                 | \$ 423,695        | \$ 194,305              | \$ 128,989          | \$ 43,175          | \$ 153,075          | \$ 169,634        | \$ 74,534              | \$ 1,986,116        |
| Cost of sales   | -                          | -                 | -                       | -                   | -                  | 438,180             | -                 | -                      | 438,180             |
| Occupancy   | 53,735                     | 64,476            | 2,817                   | 1,239               | 47,384             | 167,997             | 1,096             | 8,004                  | 346,748             |
| Professional services   | 146,480                    | 3,174             | 1,154                   | 240                 | 394                | 1,396               | 2,835             | 23,497                 | 179,170             |
| Depreciation and amortization   | 16,255                     | 137,324           | 4,877                   | 3,251               | 205                | 727                 | 1,626             | 6,502                  | 170,767             |
| Interest expense  | 34,783                     | 67,037            | -                       | -                   | -                  | -                   | -                 | 5,662                  | 107,482             |
| Telecommunications  | 23,546                     | 12,256            | 1,688                   | 1,207               | 1,580              | 5,602               | 515               | 3,342                  | 49,736              |
| Business insurance and taxes  | 11,621                     | 11,186            | -                       | -                   | 2,485              | 8,812               | 50                | 1,892                  | 36,046              |
| Supplies and materials  | 7,815                      | 5,625             | 1,727                   | 2,542               | 1,569              | 5,563               | 709               | 1,072                  | 26,622              |
| Printing and photocopying   | 4,703                      | 3,082             | 3,738                   | 4,259               | 483                | 1,713               | 8,131             | 255                    | 26,364              |
| Furniture and equipment   | 16,835                     | 5,833             | -                       | -                   | 63                 | 223                 | -                 | 2,741                  | 25,695              |
| Travel  | 5,151                      | 4,033             | 3,542                   | 3,748               | 301                | 1,068               | 1,557             | 522                    | 19,922              |
| Public relations  | -                          | 779               | -                       | 3,174               | -                  | -                   | 14,345            | -                      | 18,298              |
| Computer hardware/software  | 12,130                     | 249               | -                       | 88                  | 69                 | 245                 | 846               | 1,965                  | 15,592              |
| Merchant credit card fees   | 12                         | 25                | -                       | -                   | 2,253              | 7,987               | 4,545             | 2                      | 14,824              |
| Loss on pledges deemed uncollectible  | -                          | -                 | -                       | -                   | -                  | -                   | 12,180            | -                      | 12,180              |
| Meetings and events   | 175                        | 6,867             | -                       | -                   | -                  | -                   | 1,108             | 29                     | 8,179               |
| Postage and delivery  | 5,050                      | 268               | 441                     | 536                 | 7                  | 26                  | 1,718             | 770                    | 8,816               |
| Volunteer and employee appreciation   | 3,271                      | 323               | 294                     | 30                  | -                  | -                   | 2,165             | 488                    | 6,571               |
| Client emergency expenses   | 98                         | 5,375             | 619                     | -                   | -                  | -                   | -                 | -                      | 6,092               |
| Membership dues and subscriptions   | 3,013                      | 702               | 416                     | 386                 | -                  | -                   | 501               | 365                    | 5,383               |
| Seminar fees and related travel   | 723                        | 511               | 99                      | -                   | -                  | -                   | 901               | 64                     | 2,298               |
| Board expense   | 478                        | 337               | 461                     | 106                 | 27                 | 35                  | 168               | 160                    | 1,772               |
| Miscellaneous   | 1,324                      | 75                | -                       | 1,174               | -                  | -                   | -                 | 247                    | 2,820               |
| <b>Total functional expenses</b>  | <b>1,145,907</b>           | <b>753,232</b>    | <b>216,178</b>          | <b>150,969</b>      | <b>99,995</b>      | <b>792,649</b>      | <b>224,630</b>    | <b>132,113</b>         | <b>3,515,673</b>    |
| Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets | -                          | -                 | -                       | -                   | -                  | (438,180)           | -                 | -                      | (438,180)           |
| <b>Total expenses on the statement of activities</b>  | <b>\$ 1,145,907</b>        | <b>\$ 753,232</b> | <b>\$ 216,178</b>       | <b>\$ 150,969</b>   | <b>\$ 99,995</b>   | <b>\$ 354,469</b>   | <b>\$ 224,630</b> | <b>\$ 132,113</b>      | <b>\$ 3,077,493</b> |

See notes to financial statements

W.E.A.V.E. Incorporated

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities   |                   |                   |
| Increase (decrease) in net assets  | \$ 237,835        | \$ (7,123)        |
| Reconciliation of change in net assets to net cash provided by<br>(used in) operating activities |                   |                   |
| Net realized and unrealized gain on investments  | (75,452)          | (14,617)          |
| Depreciation and amortization  | 156,107           | 170,767           |
| (Gain) loss on sale of equipment   | (20)              | 1,013             |
| Donated property and equipment   | (5,585)           | (1,983)           |
| Changes in   |                   |                   |
| Accounts receivable  | 4,981             | (12,447)          |
| Inventories  | 16,554            | 1                 |
| Pledges receivable   | 133,845           | 234,315           |
| Prepaid expenses   | (8,324)           | 295               |
| Deposits   | (8,464)           | 16,767            |
| Charitable remainder trust assets  | (7,151)           | (48,443)          |
| Accounts payable   | 44,005            | (779,525)         |
| Accrued liabilities  | 56,464            | 26,329            |
| Refundable advances and deferred revenues  | 5,395             | (17,859)          |
|  | <u>550,190</u>    | <u>(432,510)</u>  |
| Net cash provided by (used in) operating activities  |                   |                   |
| Cash flows from investing activities   |                   |                   |
| Purchases of investments   | (764,514)         | (622,341)         |
| Proceeds from sale of investments  | 67,888            | 382,099           |
| Purchases of property and equipment  | (20,350)          | (29,013)          |
|  | <u>(716,976)</u>  | <u>(269,255)</u>  |
| Net cash used in investing activities  |                   |                   |
| Cash flows from financing activities   |                   |                   |
| Principal payments on long-term debt   | (48,403)          | (2,234,885)       |
| Proceeds from incurring long-term debt   | -                 | 2,725,000         |
|  | <u>(48,403)</u>   | <u>490,115</u>    |
| Net cash (used in) provided by financing activities  |                   |                   |
| Net decrease in cash and cash equivalents  | (215,189)         | (211,650)         |
| Cash and cash equivalents, beginning of year   | <u>914,930</u>    | <u>1,126,580</u>  |
| Cash and cash equivalents, end of year   | <u>\$ 699,741</u> | <u>\$ 914,930</u> |
| Supplemental cash flow information   |                   |                   |
| Cash paid for interest   | <u>\$ 96,799</u>  | <u>\$ 107,482</u> |

See notes to financial statements

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

**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.

**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.

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

Accounts Receivable

Accounts 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, 2011 and 2010, the allowance for doubtful accounts is \$1,102 and \$6,401, 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 loss has been recognized during the years ended June 30, 2011 and 2010.

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-*

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

*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.

For the years ended June 30, 2011 and 2010, contributions which represent a direct benefit to donors, net of costs, are \$9,099 and \$5,970, 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, 2011 and 2010. 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.

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.

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

|                   | <u>2011</u>       | <u>2010</u>       |
|-------------------|-------------------|-------------------|
| Government grants | \$ 281,149        | \$ 283,639        |
| Other             | <u>20,385</u>     | <u>22,876</u>     |
| Total             | <u>\$ 301,534</u> | <u>\$ 306,515</u> |

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 and 2010, respectively. Pledges receivable consist of the following at June 30:

|                                      | <u>2011</u>      | <u>2010</u>       |
|--------------------------------------|------------------|-------------------|
| Gross pledges receivable             | \$ 20,326        | \$ 159,470        |
| Less unamortized discount            | (507)            | (1,667)           |
| Less allowance for doubtful accounts | <u>(595)</u>     | <u>(4,734)</u>    |
| Pledges receivable, net              | <u>\$ 19,224</u> | <u>\$ 153,069</u> |

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

|                         | <u>2011</u>      | <u>2010</u>       |
|-------------------------|------------------|-------------------|
| Within one year         | \$ 9,075         | \$ 126,318        |
| In one to three years   | <u>10,149</u>    | <u>26,751</u>     |
| Pledges receivable, net | <u>\$ 19,224</u> | <u>\$ 153,069</u> |

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 5 - INVESTMENTS

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

|                          | <u>2011</u>         | <u>2010</u>       |
|--------------------------|---------------------|-------------------|
| Certificates of deposits | \$ 139,056          | \$ 44,524         |
| Corporate bonds          | 75,730              | -                 |
| Mutual funds             | 44,391              | -                 |
| Equity securities        | <u>991,365</u>      | <u>433,919</u>    |
| Total                    | <u>\$ 1,250,542</u> | <u>\$ 478,443</u> |

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

|                                    | <u>2011</u>      | <u>2010</u>      |
|------------------------------------|------------------|------------------|
| Interest and dividends             | \$ 13,896        | \$ 13,871        |
| Net realized and unrealized losses | <u>75,033</u>    | <u>14,617</u>    |
| Total                              | <u>\$ 88,929</u> | <u>\$ 28,488</u> |

NOTE 6 - PROPERTY AND EQUIPMENT

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

|                               | <u>2011</u>         | <u>2010</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 158,000          | \$ 156,000          |
| Buildings and improvements    | 4,826,876           | 4,812,347           |
| Equipment                     | 170,798             | 164,217             |
| Vehicles                      | <u>48,516</u>       | <u>45,691</u>       |
|                               | 5,204,190           | 5,178,255           |
| Less accumulated depreciation | <u>(1,562,879)</u>  | <u>(1,406,772)</u>  |
| Property and equipment, net   | <u>\$ 3,641,311</u> | <u>\$ 3,771,483</u> |

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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 3.2% at June 30, 2011 and 2010. 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>2011</u>       | <u>2010</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.                        | \$ 433,002        | \$ 428,695        | \$ 4,307          |
| 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>147,904</u>    | <u>145,060</u>    | <u>2,844</u>      |
| Total   | <u>\$ 580,906</u> | <u>\$ 573,755</u> | <u>\$ 7,151</u>   |

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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, 2011 and 2010

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

|  | June 30, 2011       |                   |                   |
|--|---------------------|-------------------|-------------------|
|  | Level 1             | Level 2           | Level 3           |
| Investments  | \$ 1,035,756        | \$ -              | \$ -              |
| Corporate bonds                                      | -                   | 75,730            | -                 |
| Certificates of deposit                              | -                   | 139,056           | -                 |
| Charitable remainder<br>interests from third parties | -                   | -                 | 580,906           |
| Total  | <u>\$ 1,035,756</u> | <u>\$ 214,786</u> | <u>\$ 580,906</u> |
|  |                     |                   |                   |
|  | June 30, 2010       |                   |                   |
|  | Level 1             | Level 2           | Level 3           |
| Investments  | \$ 433,919          | \$ -              | \$ -              |
| Certificates of deposit                              | -                   | 44,524            | -                 |
| Charitable remainder<br>interests from third parties | -                   | -                 | 573,755           |
| Total  | <u>\$ 433,919</u>   | <u>\$ 44,524</u>  | <u>\$ 573,755</u> |

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, 2011 and 2010

Changes in the Level 3 charitable remainder interests receivable for the fiscal year end consist of the following:

|                                   | <u>2011</u>       | <u>2010</u>       |
|-----------------------------------|-------------------|-------------------|
| July 1                            | \$ 573,755        | \$ 525,312        |
| Unrealized increase in fair value | <u>7,151</u>      | <u>48,443</u>     |
| June 30                           | <u>\$ 580,906</u> | <u>\$ 573,755</u> |

NOTE 9 - LONG-TERM DEBT

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

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| 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.   | \$ 1,663,182        | \$ 1,711,585        |
| 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 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. | <u>1,000,000</u>    | <u>1,000,000</u>    |
|  | 2,663,182           | 2,711,585           |
| Less current portion   | <u>(50,990)</u>     | <u>(48,227)</u>     |
| Long-term debt, net  | <u>\$ 2,612,192</u> | <u>\$ 2,663,358</u> |

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

Future annual maturities of long-term debt over each of the next five years and thereafter subsequent to June 30, 2011 are as follows:

|            |    |                         |
|------------|----|-------------------------|
| 2012       | \$ | 50,990                  |
| 2013       |    | 54,248                  |
| 2014       |    | 57,436                  |
| 2015       |    | 1,500,508               |
| 2016       |    | -                       |
| Thereafter |    | <u>1,000,000</u>        |
| Total      | \$ | <u><u>2,663,182</u></u> |

For the years ended June 30, 2011 and 2010, interest expense was \$126,799 and \$107,482, respectively.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

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

|  | <u>2011</u>              | <u>2010</u>              |
|--|--------------------------|--------------------------|
| Charitable remainder trust assets, unconditionally promised but not received (time restriction only) | \$ 580,906               | \$ 573,755               |
| Other time restricted contributions  | <u>285,937</u>           | <u>1,001</u>             |
| Total  | <u><u>\$ 866,843</u></u> | <u><u>\$ 574,756</u></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 2009 through 2014.

Rental expenses for the years ended June 30, 2011 and 2010 are \$213,921 and \$171,348, respectively.

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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

|      |    |        |
|------|----|--------|
| 2012 | \$ | 59,922 |
| 2013 |    | 59,922 |
| 2014 |    | 37,217 |

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, 2011 and 2010 are \$40,248 and \$26,792, respectively.

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

|      |    |        |
|------|----|--------|
| 2012 | \$ | 40,188 |
| 2013 |    | 40,188 |
| 2014 |    | 40,188 |
| 2015 |    | 6,698  |

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, 2011 and 2010, corresponding estimated values of \$431,750 and \$447,029, respectively, are recognized as contribution and thrift store income in the financial statements.

Volunteers donated approximately 9,315 and 9,645 hours during 2011 and 2010, 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

W.E.A.V.E. Incorporated

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

limited to \$16,500 per year or \$22,000 per year if the employee is over 50 years of age. Total plan costs were \$982 and \$1,013 for 2011 and 2010, respectively. Employer contributions were \$6,967 and \$0 for 2011 and 2010, respectively.

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, 2011 and 2010 as follows:

|  | 2011                |                     | 2010                |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Amounts             | % of Total Revenues | Amounts             | % of Total Revenues |
| Supporting service expenses                              |                     |                     |                     |                     |
| Fund development   | \$ 250,577          | 8.6%                | \$ 224,630          | 8.6%                |
| Management and general                                   | 132,111             | 4.5%                | 132,113             | 5.0%                |
| Total supporting services, net                           | <u>\$ 382,688</u>   | <u>13.1%</u>        | <u>\$ 356,743</u>   | <u>13.6%</u>        |
| Total revenues   |                     |                     |                     |                     |
| Total unrestricted revenues                              | \$ 3,061,578        |                     | \$ 3,104,846        |                     |
| Increase (decrease) in temporarily restricted net assets | 292,086             |                     | (34,476)            |                     |
| Less net thrift store income                             | <u>(443,676)</u>    |                     | <u>(451,293)</u>    |                     |
| Total revenues, net                                      | <u>\$ 2,909,988</u> |                     | <u>\$ 2,619,077</u> |                     |

NOTE 16 - 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, 2011.

NOTE 17 - 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, 2011 and 2010

NOTE 18 - SUBSEQUENT EVENTS

Management evaluated all activity of W.E.A.V.E. through November 1, 2011 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, 2011

| Federal Grantor/<br>(Pass-through Grantor)/<br>Program Title            | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|---|---------------------------|-------------------------------------|-------------------------|
| U.S. Department of Health and Human Services                            |                           |                                     |                         |
| Passed through the California Emergency Management Agency               |                           |                                     |                         |
| Family Violence Prevention and Services                                 | 93.671                    | DV 10251196                         | \$ 73,213               |
| Passed through the Sacramento Employment and Training Agency            |                           |                                     |                         |
| Victims of Trafficking  | 93.598                    | 238078VHT(E)                        | 42,782                  |
| Passed through the California Department of Public Health               |                           |                                     |                         |
| Prevention and Control Research (IPV/SA)                                | 93.136                    | 09-11632-01                         | 39,216                  |
| Prevention and Control Research (IPV/SA)                                | 93.136                    | 09-11632-01                         | 47,322                  |
| Passed through the Regents of University of California Davis            |                           |                                     |                         |
| Prevention and Control Research (IPV/SA)                                | 93.136                    | 09000582-01                         | 13,314                  |
| Prevention and Control Research (IPV/SA)                                | 93.136                    | 09000582-01                         | 32,502                  |
| 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                        | 22,838                  |
| U.S. Department of Justice  |                           |                                     |                         |
| Passed through the California Emergency Management Agency               |                           |                                     |                         |
| Sexual Assault Services Program   | 16.017                    | RC09221196                          | 2,527                   |
| Fed Victims of Crime Act  | 16.575                    | DV10251196                          | 110,244                 |
| Fed Victims of Crime Act  | 16.575                    | RC09221196                          | 17,643                  |
| Fed Victims of Crime Act  | 16.575                    | RC10231196                          | 131,858                 |
| Violence Against Women Act  | 16.588                    | RC09221196                          | 28,762                  |
| Violence Against Women Act  | 16.588                    | RC10231196                          | 51,040                  |
| Passed through the City of Elk Grove                                    |                           |                                     |                         |
| Violence Against Women Act  | 16.59                     | C-11-207                            | 67,959                  |
| Total federal expenditures  |                           |                                     | <u>\$ 681,220</u>       |

W.E.A.V.E. Incorporated

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2011

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, 2011, and have issued our report thereon dated November 1, 2011. 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

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 and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Reznick Group, P.C.*

Sacramento, California  
November 1, 2011

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, 2011. 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, 2011.

### 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 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 and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Reznick Group, P.C.*

Sacramento, California  
November 1, 2011

W.E.A.V.E. Incorporated

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011 and 2010

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
  - U.S. Department of Health and Human Services, CFDA No. 93.136
8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. W.E.A.V.E. Incorporated is not 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, 2011

| <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> |
|---------------------|----------------------|---------------------------|---------------------------|-------------------|---------------------------|------------------------|----------------------|---------------------------|
| DV10251196          | 7/1/2010 - 6/30/2011 | \$ 340,019                | \$ 53,793                 | \$ 393,812        | \$ (210,355)              | \$ 183,457             | \$ 66,900            | \$ 460,712                |
| RC09221196          | 9/1/2009 - 8/31/2010 | 54,594                    | 9,441                     | 64,035            | (15,103)                  | 48,932                 | 1,606                | 65,641                    |
| RC10231196          | 9/1/2010 - 8/31/2011 | 209,194                   | 41,717                    | 250,911           | (68,013)                  | 182,898                | -                    | 250,911                   |
|                     |                      | <u>\$ 603,807</u>         | <u>\$ 104,951</u>         | <u>\$ 708,758</u> | <u>\$ (293,471)</u>       | <u>\$ 415,287</u>      | <u>\$ 68,506</u>     | <u>\$ 777,264</u>         |