

W.E.A.V.E. Incorporated

**Financial Statements and
Independent Auditor's Report**

June 30, 2015 and 2014

W.E.A.V.E. Incorporated

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of W.E.A.V.E. Incorporated, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 21 is presented for purposes of additional analysis as required by 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, 2015 on page 27, is presented for purposes of additional analysis as required by CalEMA, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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* in considering W.E.A.V.E. Incorporated's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California
December 17, 2015

W.E.A.V.E. Incorporated
Statements of Financial Position
June 30, 2015 and 2014

Assets

	2015	2014
Current assets		
Cash and cash equivalents	\$ 815,580	\$ 731,192
Accounts receivable	215,592	506,009
Inventories	82,799	86,423
Prepaid expenses	32,575	26,961
Total current assets	<u>1,146,546</u>	<u>1,350,585</u>
Noncurrent assets		
Investments	1,269,733	1,359,655
Property and equipment, net	5,105,436	5,235,859
Deposits	31,171	13,855
Charitable remainder trust assets	632,991	642,371
Total noncurrent assets	<u>7,039,331</u>	<u>7,251,740</u>
Total assets	<u><u>\$ 8,185,877</u></u>	<u><u>\$ 8,602,325</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 43,595	\$ 95,360
Accrued liabilities	194,461	189,091
Refundable advances and deferred revenues	9,950	8,799
Current portion of long-term debt	75,827	72,601
Total current liabilities	<u>323,833</u>	<u>365,851</u>
Noncurrent liabilities		
Long-term debt, net of current portion	4,379,523	4,456,724
Deferred interest payable	326,226	236,226
Total liabilities	<u>5,029,582</u>	<u>5,058,801</u>
Net assets		
Unrestricted	2,279,656	2,715,780
Temporarily restricted	876,639	827,744
Total net assets	<u>3,156,295</u>	<u>3,543,524</u>
Total liabilities and net assets	<u><u>\$ 8,185,877</u></u>	<u><u>\$ 8,602,325</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, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Unrestricted net assets		
Revenues		
Government grants	\$ 1,482,139	\$ 1,629,133
Contributions	937,698	990,169
Thrift store income, net of cost of sales	428,184	316,514
Interest and investment income	59,483	176,632
Service fees	77,059	162,960
In-kind donations	-	2,302
Other income	79,896	103,074
Net assets released from restriction	<u>345,059</u>	<u>392,816</u>
Total revenues	<u>3,409,518</u>	<u>3,773,600</u>
Expenses		
Intervention programs		
Domestic violence services	731,933	688,020
Legal services	183,124	230,718
Victims of trafficking services	29,347	69,329
Residential services	1,226,774	1,276,826
Sexual assault services	429,400	427,414
Other programs		
Prevention services	237,629	229,810
Community education	114,186	101,026
Suited for Success	<u>-</u>	<u>62,333</u>
Total program services	<u>2,952,393</u>	<u>3,085,476</u>
Supporting services		
Thrift stores	333,466	187,000
Fund development	259,039	226,477
Management and general	<u>300,744</u>	<u>307,725</u>
Total expenses	<u>3,845,642</u>	<u>3,806,678</u>
Decrease in unrestricted net assets	<u>(436,124)</u>	<u>(33,078)</u>
Temporarily restricted net assets		
Contributions	403,334	319,775
Change in value of charitable remainder trust assets	(9,380)	(25,446)
Net assets released from restriction	<u>(345,059)</u>	<u>(392,816)</u>
Increase (decrease) in temporarily restricted net assets	<u>48,895</u>	<u>(98,487)</u>
Decrease in net assets	(387,229)	(131,565)
Net assets, beginning of year	<u>3,543,524</u>	<u>3,675,089</u>
Net assets, end of year	<u><u>\$ 3,156,295</u></u>	<u><u>\$ 3,543,524</u></u>

See Notes to Financial Statements.

W.E.A.V.E. Incorporated

**Statements of Functional Expenses
Year Ended June 30, 2015**

	Intervention Programs					Other Programs		Supporting Services			
	Domestic Violence Services	Sexual Assault Services	Legal Services	Victims of Trafficking Services	Residential Services	Prevention Services	Community Education	Thrift Stores	Fund Development	Management and General	Total
Personnel	\$ 571,056	\$ 332,924	\$ 143,801	\$ 23,213	\$ 647,433	\$ 184,439	\$ 110,037	\$ 221,056	\$ 112,867	\$ 157,795	\$ 2,504,621
Cost of sales	-	-	-	-	-	-	-	427,965	-	-	427,965
Occupancy	64,114	29,429	3,810	60	135,958	6,627	-	67,117	2,693	5,727	315,535
Professional services	9,650	5,290	4,210	583	9,805	1,547	-	1,125	7,889	104,882	144,981
Depreciation and amortization	9,328	7,121	3,526	1,763	207,890	3,526	-	4,254	-	4,937	242,345
Interest expense	23,585	13,477	6,739	-	90,000	10,108	-	-	3,369	10,108	157,386
Telecommunications	13,317	6,214	661	109	9,695	1,523	464	4,381	1,079	982	38,425
Business insurance and taxes	6,037	4,276	5,407	812	29,376	2,375	110	7,758	2,042	3,175	61,368
Supplies and materials	3,419	2,879	582	274	11,684	1,522	192	8,202	37,983	2,188	68,925
Printing and photocopying	6,957	6,229	2,836	103	945	5,264	81	849	9,094	553	32,911
Furniture and equipment	6,603	4,940	1,897	62	8,329	3,404	-	243	18,394	2,833	46,705
Travel	2,512	3,643	1,167	95	4,491	2,396	118	511	3,670	334	18,937
Public relations	5	4	2	1	3	11	711	2,044	21,709	3	24,493
Computer hardware/software	1,859	900	117	59	942	1,028	-	-	16,041	283	21,229
Merchant credit card fees	1,121	736	289	145	486	289	-	8,696	3,846	455	16,063
Meetings and events	417	563	227	80	1,243	495	-	2,339	10,165	225	15,754
Postage and delivery	1,294	1,569	1,161	221	867	505	-	256	3,999	1,316	11,188
Volunteer and employee appreciation	1,124	1,169	353	176	863	483	-	441	125	494	5,228
Client emergency expenses	-	27	-	-	7,281	-	-	3,624	-	-	10,932
Membership dues and subscriptions	1,075	1,327	1,196	207	909	854	2,248	378	573	579	9,346
Seminar fees and related travel	1,053	894	173	79	2,158	7,677	90	40	338	221	12,723
Board expense	797	613	307	153	460	307	-	-	-	429	3,066
Outreach	26	323	10	5	15	955	135	27	3,163	14	4,673
Recruitment	432	332	166	83	249	166	-	125	-	232	1,785
Bad debt expense	619	265	2,359	-	-	-	-	-	-	-	3,243
Subawards	5,533	4,256	2,128	1,064	55,692	2,128	-	-	-	2,979	73,780
Total functional expenses	731,933	429,400	183,124	29,347	1,226,774	237,629	114,186	761,431	259,039	300,744	4,273,607
Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets	-	-	-	-	-	-	-	(427,965)	-	-	(427,965)
Total expenses on the statement of activities	\$ 731,933	\$ 429,400	\$ 183,124	\$ 29,347	\$ 1,226,774	\$ 237,629	\$ 114,186	\$ 333,466	\$ 259,039	\$ 300,744	\$ 3,845,642

W.E.A.V.E. Incorporated

**Statements of Functional Expenses
Year Ended June 30, 2014**

	Intervention Programs					Other Programs			Supporting Services			
	Domestic Violence Services	Sexual Assault Services	Legal Services	Victims of Trafficking Services	Residential Services	Prevention Services	Community Education	Suited for Success	Thrift Stores	Fund Development	Management and General	Total
Personnel	\$ 514,495	\$ 326,042	\$ 192,253	\$ 55,983	\$ 757,960	\$ 185,855	\$ 91,180	\$ 38,501	\$ 115,504	\$ 121,705	\$ 136,943	\$ 2,536,421
Cost of sales	-	-	-	-	-	-	-	78,312	234,935	-	-	313,247
Occupancy	70,376	32,347	4,121	162	88,939	6,019	-	16,874	50,622	1,898	6,194	277,552
Professional services	14,839	6,881	3,359	239	3,533	770	16	193	578	10,589	132,509	173,506
Depreciation and amortization	8,735	6,665	3,298	1,649	201,003	3,298	-	-	-	-	4,617	229,265
Interest expense	31,495	22,512	11,256	4,389	99,471	12,495	-	-	-	1,239	16,006	198,863
Telecommunications	12,793	7,032	1,200	515	9,042	1,034	1,131	1,182	3,546	1,253	570	39,298
Business insurance and taxes	4,481	3,116	2,092	549	24,660	1,768	110	2,205	6,615	516	2,357	48,469
Supplies and materials	3,924	2,888	1,636	2,561	8,087	2,747	81	1,164	3,491	27,266	1,485	55,330
Printing and photocopying	4,713	2,739	2,678	901	1,318	3,521	2,406	62	185	12,674	370	31,567
Furniture and equipment	6,636	3,813	1,906	20	10,492	2,840	-	226	679	9,335	2,855	38,802
Travel	2,149	3,618	803	392	3,176	3,001	502	230	690	6,504	473	21,538
Public relations	-	-	-	-	-	-	195	-	-	8,713	-	8,908
Computer hardware/software	466	358	179	90	2,126	407	26	-	-	9,431	(2,461)	10,622
Merchant credit card fees	468	260	67	33	99	67	-	1,623	4,870	3,818	132	11,437
Meetings and events	32	25	12	6	19	12	-	-	-	1,116	17	1,239
Postage and delivery	647	629	775	80	1,055	236	2	-	1	5,011	1,442	9,878
Volunteer and employee appreciation	2,761	2,219	989	495	3,803	1,087	3,967	53	160	1,979	1,392	18,905
Client emergency expenses	1,628	982	-	-	6,367	-	-	-	-	-	-	8,977
Membership dues and subscriptions	1,149	717	2,329	127	385	778	565	20	59	3,170	354	9,653
Seminar fees and related travel	4,125	3,162	1,194	852	1,935	3,259	451	-	-	260	1,671	16,909
Board expense	540	416	208	104	312	208	-	-	-	-	291	2,079
Outreach	9	7	3	2	5	48	394	-	-	-	5	473
Recruitment	935	719	360	180	539	360	-	-	-	-	503	3,596
Bad debt expense	624	267	-	-	-	-	-	-	-	-	-	891
Subawards	-	-	-	-	52,500	-	-	-	-	-	-	52,500
Total functional expenses	688,020	427,414	230,718	69,329	1,276,826	229,810	101,026	140,645	421,935	226,477	307,725	4,119,925
Less cost of sales offset against thrift store sales on the statement of activities and changes in net assets	-	-	-	-	-	-	-	(78,312)	(234,935)	-	-	(313,247)
Total expenses on the statement of activities	\$ 688,020	\$ 427,414	\$ 230,718	\$ 69,329	\$ 1,276,826	\$ 229,810	\$ 101,026	\$ 62,333	\$ 187,000	\$ 226,477	\$ 307,725	\$ 3,806,678

See Notes to Financial Statements.

W.E.A.V.E. Incorporated
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Decrease in net assets	\$ (387,229)	\$ (131,565)
Reconciliation of change in net assets to net cash provided by in operating activities		
Net realized and unrealized gain on investments	(32,706)	(141,654)
Depreciation and amortization	242,345	229,265
Changes in		
Accounts receivable	290,417	(49,659)
Inventories	3,624	-
Prepaid expenses	(5,614)	(2,576)
Deposits	(17,316)	49,244
Charitable remainder trust assets	9,380	25,446
Accounts payable	(51,765)	58,351
Accrued liabilities	5,370	25,957
Accrued interest	90,000	82,500
Refundable advances and deferred revenues	1,151	(617)
Net cash provided by operating activities	<u>147,657</u>	<u>144,692</u>
Cash flows from investing activities		
Purchases of investments	(554,559)	(233,926)
Proceeds from sale of investments	677,187	166,250
Purchases of property and equipment	(111,922)	(1,039,434)
Net cash provided by (used) in investing activities	<u>10,706</u>	<u>(1,107,110)</u>
Cash flows from financing activities		
Principal payments on long-term debt	(73,975)	(1,557,946)
Proceeds from incurring long-term debt	-	2,530,000
Net cash (used in) provided by financing activities	<u>(73,975)</u>	<u>972,054</u>
Net increase in cash and cash equivalents	84,388	9,636
Cash and cash equivalents, beginning of year	<u>731,192</u>	<u>721,556</u>
Cash and cash equivalents, end of year	<u><u>\$ 815,580</u></u>	<u><u>\$ 731,192</u></u>
Supplemental cash flow information		
Cash paid for interest	<u><u>\$ 67,386</u></u>	<u><u>\$ 116,363</u></u>

See Notes to Financial Statements.

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

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:

24-hour support and information line

W.E.A.V.E. operates a 24-hour Support and Information Line to provide support and referrals to victims of domestic violence, sexual assault and their families/friends as well as screen victims for entry into the Safehouse program. During 2015, W.E.A.V.E. answered 7,926 calls on the 24-hour Support and Information Line.

Domestic violence services

W.E.A.V.E. provides crisis intervention, therapeutic counseling, advocacy, and supportive services to domestic violence victims through its 24-hour Support and Information Line and counseling programs. 1,175 domestic violence victims received counseling and advocates and counselors at the business center served 2,034 new domestic violence clients.

Residential services

W.E.A.V.E. operates a 12,000 square foot, 24-hour, 80 bed safe and confidential shelter for adult and child victims of domestic violence. In 2014, W.E.A.V.E.'s Safehouse provided 14,515 bednights of safe shelter to 71 adults and 75 children. The Safehouse campus expanded in 2013 with the addition of four transitional housing cottages capable of housing up to sixteen victims who graduate from the Safehouse program and still require safe and confidential housing. In the fall of 2015, W.E.A.V.E. received an OVW transitional housing grant, which funds the cottages and partially funds a new 8 unit apartment complex for emergency transitional housing.

Sexual assault services

W.E.A.V.E. offers therapeutic counseling services to sexual assault victims and operates a 24-hour Sexual Assault Response Team ("SART"). The SART team dispatches a trained advocate to the hospital to provide support to every sexual assault victim undergoing an evidentiary examination. In 2015, W.E.A.V.E.'s SART team responded to 218 victims and W.E.A.V.E.'s counseling program provided services to 189 sexual assault victims.

Youth prevention education services

W.E.A.V.E. works with youth to provide a range of educational programs designed to challenge attitudes of gender, masculinity/femininity, and to help youth understand healthy relationships and indicators of abusive relationships. In 2015, W.E.A.V.E. impacted more than 2,100 youth through 32 presentations and implemented a yearlong immersion program with two local schools.

Legal services

W.E.A.V.E. Legal offers affordable and accessible legal services by leveraging a Staff Attorney to supervise pro bono attorneys and law students to provide victims with the legal advocacy, information, and limited scope representation. Between July 2014 and June

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

2015, W.E.A.V.E. Legal provided consultations and assessments to 282 domestic violence victims a significant number of which attended legal workshops.

Community education

W.E.A.V.E. builds awareness through community outreach, presentations, and proactive media engagement to inform the community of the impact of domestic violence and sexual assault. In 2015, W.E.A.V.E. reached more than 2,900 adults through 110 educational presentations and 61 informational fairs.

Victims of trafficking services

W.E.A.V.E. provides community outreach activities to raise awareness regarding human trafficking in the region and provides supportive services to minor victims of sex trafficking including weekly psycho-educational groups delivered to 20 to 30 girls currently staying at the juvenile detention facility.

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

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 accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2015 and 2014, there is no allowance for doubtful accounts for accounts receivable.

Inventories

Inventories consist primarily of donated thrift store goods and are stated at estimated market value at time of donation.

Charitable remainder trust

The charitable remainder interests receivable from third parties are calculated at the present value of future cash flows and are based on little or no market data and require management to develop their own assumptions.

Investments

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

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

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 30 years. W.E.A.V.E. capitalizes all expenditures of property and equipment in excess of \$5,000.

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, 2015 and 2014.

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.

For the years ended June 30, 2015 and 2014, contributions which represent a direct benefit to donors, net of costs, are \$14,670 and \$7,875, 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, 2015 and 2014. Due to its tax exempt status, the Organization is not subject to income taxes. The Organization 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 organization 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 2011.

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

Functional allocation of expenses

Expenses have been summarized on a functional basis in the statements 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:

	2015	2014
Government grants	\$ 200,749	\$ 460,442
Other services	14,843	45,567
Total	<u>\$ 215,592</u>	<u>\$ 506,009</u>

Note 4 - Investments

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

	2015	2014
Endowment Fund - Sacramento Region		
Community Foundation	\$ 6,671	\$ 6,708
Corporate bonds	248,042	235,758
Mutual funds	-	50,190
Equity securities	1,015,020	1,066,999
Total	<u>\$ 1,269,733</u>	<u>\$ 1,359,655</u>

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

	2015	2014
Interest and dividends	\$ 26,777	\$ 34,978
Net realized and unrealized gains	32,706	141,654
Total	<u>\$ 59,483</u>	<u>\$ 176,632</u>

W.E.A.V.E. Incorporated

**Notes to Financial Statements
June 30, 2015 and 2014**

Note 5 - Property and equipment

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

	<u>2015</u>	<u>2014</u>
Land	\$ 435,000	\$ 435,000
Buildings and improvements	6,170,965	6,093,025
Furniture and equipment	248,139	243,027
Vehicles	48,516	48,516
Deferred maintenance escrow reserves	37,957	37,957
Construction in process	<u>29,182</u>	<u>313</u>
	6,969,759	6,857,838
Less accumulated depreciation	<u>(1,864,323)</u>	<u>(1,621,979)</u>
Property and equipment, net	<u>\$ 5,105,436</u>	<u>\$ 5,235,859</u>

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

Note 6 - 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% at June 30, 2015 and 2014. 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>2015</u>	<u>2014</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.	\$ 466,547	\$ 477,226	\$ (10,679)
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 (2020) based on actuarial estimates.	<u>166,444</u>	<u>165,145</u>	<u>1,299</u>
Total	<u>\$ 632,991</u>	<u>\$ 642,371</u>	<u>\$ (9,380)</u>

Note 7 - 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;

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

- 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.'s assets subject to fair value measurements and disclosures are classified as follows:

	June 30, 2015		
	Level 1	Level 2	Level 3
Investments*	\$ 1,021,691	\$ -	\$ -
Corporate bonds	-	248,042	-
Charitable remainder interests from third parties	-	-	632,991
Total	<u>\$ 1,021,691</u>	<u>\$ 248,042</u>	<u>\$ 632,991</u>
	June 30, 2014		
	Level 1	Level 2	Level 3
Investments*	\$ 1,123,897	\$ -	\$ -
Corporate bonds	-	235,758	-
Charitable remainder interests from third parties	-	-	642,371
Total	<u>\$ 1,123,897</u>	<u>\$ 235,758</u>	<u>\$ 642,371</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 June 30, 2015 and 2014

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

	2015	2014
July 1	\$ 642,371	\$ 667,817
Unrealized increase (decrease) in fair value	(9,380)	(25,446)
June 30	<u>\$ 632,991</u>	<u>\$ 642,371</u>

Note 8 - Long-term debt

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

	2015	2014
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 a balloon payment of \$1,442,488. For the year ended June 30, 2014, interest expense totaled \$97,296. On June 16, 2014 the mortgage was refinanced and the balance due on the loan was repaid in full.	\$ -	\$ -
Fixed-rate mortgage payable, secured by the 1900 K Street building, payable in \$11,980 monthly installments including interest at 4.78% per annum, maturing June 18, 2029. For the year ended June 30, 2015 interest expense was \$67,386.	1,456,025	1,530,000
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, 2015 and 2014, interest expense totaled \$30,000. Accrued interest as of June 30, 2015 and 2014 is \$177,500 and \$147,500, respectively.	1,000,000	1,000,000

W.E.A.V.E. Incorporated

**Notes to Financial Statements
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Mortgage note payable to EHAP, secured by the Open House Emergency Shelter, with simple interest of 3% per annum. No monthly payments through maturity in October 2023, at which time all outstanding principal and accrued interest will be forgiven provided that W.E.A.V.E. continues to operate the Open House Emergency Shelter as an emergency shelter, a transitional housing facility, or a safe haven throughout the term. For the year ended June 30, 2015, interest expense totaled \$30,000. Accrued interest as of June 30, 2015 and 2014 is \$52,500 and \$22,500, respectively.	1,000,000	1,000,000
Mortgage note payable in the amount of \$1,000,000 to EHAP, secured by the 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. For the year ended June 30, 2015, interest expense totaled \$30,000. Accrued interest as of June 30, 2015 and 2014 is \$96,226 and \$66,226, respectively.	<u>999,325</u>	<u>999,325</u>
	4,455,350	4,529,325
Less current portion	<u>(75,827)</u>	<u>(72,601)</u>
Long-term debt, net	<u>\$ 4,379,523</u>	<u>\$ 4,456,724</u>

Future annual maturities of long-term debt over each of the next five years and thereafter subsequent to June 30, 2015 are as follows:

2016	\$ 75,827
2017	79,564
2018	83,296
2019	87,203
2020	91,157
Thereafter	<u>4,038,303</u>
Total	<u>\$ 4,455,350</u>

W.E.A.V.E. Incorporated

**Notes to Financial Statements
June 30, 2015 and 2014**

For the years ended June 30, 2015 and 2014, interest expense was \$157,386 and \$198,863, respectively.

Note 9 - Temporarily restricted net assets

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

	<u>2015</u>	<u>2014</u>
Charitable remainder trust assets, unconditionally promised but not received (time restriction only)	\$ 632,991	\$ 642,371
Other time restricted contributions	<u>243,648</u>	<u>185,373</u>
Total	<u>\$ 876,639</u>	<u>\$ 827,744</u>

Note 10 - Operating lease obligations

W.E.A.V.E. leases its thrift store building and some office equipment under non-cancelable operating lease agreements expiring in 2015 through 2020.

Rental expenses for the years ended June 30, 2015 and 2014 are \$162,262 and \$156,887, respectively.

Future minimum lease payments through June 30, 2020 are as follows:

2016	\$ 121,269
2017	75,436
2018	64,122
2019	63,462
2020	<u>22,319</u>
Total	<u>\$ 346,608</u>

Note 11 - 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 agreement expiring August 31, 2014. The lease has not been renewed and the lessee was on a month to month basis until April 30, 2015.

Rental revenue from both the K Street building and the temporary rental of the Open House apartments for the years ended June 30, 2015 and 2014 are \$78,207 and \$99,534, respectively, and is included in other income in the statements of activities and changes in net assets.

Note 12 - 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, 2015 and 2014, corresponding estimated values of \$427,965 and

W.E.A.V.E. Incorporated

Notes to Financial Statements June 30, 2015 and 2014

\$313,247, respectively, are recognized as contributions and once sold is recorded as thrift store income in the financial statements.

Volunteers donated approximately 9,892 and 9,717 hours during 2015 and 2014, 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 13 - 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 \$1,559 and \$1,195 for 2015 and 2014, respectively. There were no employer contributions for 2015 and 2014.

Note 14 - 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, 2015 and 2014 as follows:

	2015		2014	
	Amounts	% of Total Revenues	Amounts	% of Total Revenues
Supporting service expenses				
Fund development	\$ 259,039	8.5%	\$ 226,477	6.7%
Management and general	300,744	9.9%	307,725	9.2%
Total supporting services, net	<u>\$ 559,783</u>	<u>18.5%</u>	<u>\$ 534,202</u>	<u>15.9%</u>
Total revenues				
Total unrestricted revenues	\$ 3,409,518		\$ 3,773,600	
Increase (decrease) in temporarily restricted net assets	48,895		(98,487)	
Less net thrift store income	<u>(428,184)</u>		<u>(316,514)</u>	
Total revenues, net	<u>\$ 3,030,229</u>		<u>\$ 3,358,599</u>	

Note 15 - 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, 2015.

Note 16 - 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

W.E.A.V.E. Incorporated

**Notes to Financial Statements
June 30, 2015 and 2014**

believes that any required reimbursements would not be material to W.E.A.V.E.'s financial statements as a whole.

Note 17 - Subsequent events

Management evaluated all activity of W.E.A.V.E. through December 17, 2015 (the date the financial statements were available to be issued) and concluded that no other 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, 2015**

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 from the California Department of Public Health			
Prevention and Control Research (IPV/SA)	93.136	12-10418	\$ 36,324
Prevention and Control Research (IPV/SA)	93.136	14-10673	<u>49,037</u>
Total CFDA 93.136			<u>85,361</u>
U.S. Department of Homeland Security			
Passed through from the Sacramento Regional Emergency Food and Shelter Board			
Emergency Food and Shelter Program (EFSP)	97.024	32-0824-00-023	<u>71,675</u>
U.S. Department of Justice			
Passed through from the California Emergency Management Agency			
Fed Victims of Crime Act	16.575	* DV14291196	409,328
Fed Victims of Crime Act	16.575	* RC13261196	64,132
Fed Victims of Crime Act	16.575	* RC14271196	<u>267,779</u>
Total CFDA 16.575			<u>741,239</u>
Passed through from the City of Elk Grove Protection Orders Program	16.590	C-13-473	<u>40,783</u>
Total federal expenditures			<u><u>\$ 939,058</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 Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of W.E.A.V.E. Incorporated ("W.E.A.V.E."), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered W.E.A.V.E.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of W.E.A.V.E.'s internal control. Accordingly, we do not express an opinion on the effectiveness of W.E.A.V.E.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether W.E.A.V.E.'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*.

Purpose of this Report

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

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

Sacramento, California
December 17, 2015

Independent Auditors' Report on Compliance for The Major Program and on
Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited W.E.A.V.E. Incorporated's ("W.E.A.V.E.") 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 W.E.A.V.E.'s major federal program for the year ended June 30, 2015. W.E.A.V.E.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for W.E.A.V.E.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about W.E.A.V.E.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on The Major Federal Program

In our opinion, W.E.A.V.E. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of W.E.A.V.E. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered W.E.A.V.E.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of W.E.A.V.E.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California
December 17, 2015

W.E.A.V.E. Incorporated

**Schedule of Findings and Questioned Costs
June 30, 2015**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of W.E.A.V.E. Incorporated.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of W.E.A.V.E. Incorporated were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award program were disclosed in the Independent Auditor's Report on Compliance for the Major Federal Award Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses were reported.
5. The auditors' report on compliance for the major federal award program for W.E.A.V.E. Incorporated expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for W.E.A.V.E. Incorporated.
7. The program tested as a major program include:
 - U.S. Department of Justice, CFDA No. 16.575 - \$741,239 which represents 79% 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, 2015**

<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>
DV14291196	7/1/2014 - 6/30/2015	\$ 371,882	\$ 37,446	\$ 409,328	\$ (196,793)	\$ 212,535	\$ 20,002	\$ 429,330
RC13261196	9/1/2013 - 8/31/2014	56,345	7,787	64,132	(13,654)	50,478	-	64,132
RC14271196	9/1/2014 - 8/31/2015	<u>205,200</u>	<u>62,579</u>	<u>267,779</u>	<u>(18,617)</u>	<u>249,162</u>	<u>-</u>	<u>267,779</u>
		<u>\$ 633,427</u>	<u>\$ 107,812</u>	<u>\$ 741,239</u>	<u>\$ (229,064)</u>	<u>\$ 512,175</u>	<u>\$ 20,002</u>	<u>\$ 761,241</u>