

NEWHOUSE, INC.

**Independent Auditors' Report and
Financial Statements**

December 31, 2009

NEWHOUSE, INC.
DECEMBER 31, 2009
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EMERICK & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Newhouse, Inc.
Kansas City, Missouri

We have audited the accompanying statement of financial position of NEWHOUSE, INC. as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of NEWHOUSE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 above referenced financial statements present fairly, in all material respects, the financial position of NEWHOUSE, INC. as of December 31, 2009, and the changes in its net assets 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 February 10, 2010 on our consideration of NEWHOUSE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Emerick & Company, P.C.

Kansas City, Missouri
February 10, 2010

NEWHOUSE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

Assets:	
Cash and cash equivalents	\$ 274,906
Grants receivable	38,224
Prepaid expenses	8,050
Land, building and equipment at cost, less accumulated depreciation of \$872,111	<u>1,064,516</u>
Total Assets	<u><u>\$ 1,385,696</u></u>
Liabilities:	
Accounts payable	\$ 7,310
Accrued expenses	<u>20,775</u>
Total Liabilities	<u>28,085</u>
Net Assets:	
Unrestricted	
Invested in land, building and equipment	1,064,516
Undesignated	<u>293,095</u>
Total Net Assets	<u>1,357,611</u>
Total Liabilities and Net Assets	<u><u>\$ 1,385,696</u></u>

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>
Public Support:	
Contributions:	
In-kind	\$ 234,238
Private grants and contributions	527,827
United Way	60,422
Government grants	690,646
Total Public Support	<u>1,513,133</u>
 Revenue:	
Special events	113,965
Miscellaneous	6,429
Interest income	664
Total Revenue	<u>121,058</u>
 Total Public Support and Revenue	<u>1,634,191</u>
 Expenses:	
Program services:	
Residential	947,536
Children	44,456
Outreach	74,057
Total Program Services	<u>1,066,049</u>
Supporting services:	
Management and general	266,513
Fundraising	170,483
Total Supporting Services	<u>436,996</u>
 Total Expenses	<u>1,503,045</u>
 Change in Net Assets from Operations	131,146
 Loss on Disposition of Property	3,711
 Change in Net Assets	127,435
 Net Assets, Beginning of Year	<u>1,230,176</u>
 Net Assets, End of Year	<u>\$ 1,357,611</u>

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services			Supporting Services			Total Expenses
	Residential	Children	Outreach	Management and General	Fund		
					Raising	Total	
Operating Expenses:							
Compensation	\$ 484,509	\$ 22,711	\$ 37,852	\$ 136,268	\$ 75,705	\$ 211,973	\$ 757,045
Fringe benefits	50,063	2,347	3,911	14,080	7,822	21,902	78,223
Payroll taxes	39,507	1,852	3,086	11,111	6,173	17,284	61,729
Occupancy and meals	116,906	5,480	9,133	32,880	18,267	51,147	182,666
Audit and accounting services	5,914	277	462	1,663	924	2,587	9,240
Insurance	14,232	667	1,112	4,003	2,224	6,227	22,238
Office supplies and expenses	19,992	937	1,562	5,623	3,124	8,747	31,238
Professional services	4,617	216	361	1,299	721	2,020	7,214
Dues, subscriptions and workshops	4,369	205	341	1,229	683	1,912	6,827
Travel	316	15	25	89	49	138	494
Special events	-	-	-	-	19,074	19,074	19,074
Other fund-raising expenses	-	-	-	-	3,982	3,982	3,982
Interest expense	4,012	229	344	1,146	-	1,146	5,731
Other expenses	6,333	297	495	1,781	990	2,771	9,896
In-kind	149,912	7,027	11,712	42,163	23,424	65,587	234,238
Total Operating Expenses	900,682	42,261	70,396	253,335	163,162	416,497	1,429,835
Nonoperating Expenses:							
Depreciation	46,854	2,196	3,661	13,178	7,321	20,499	73,210
Total Expenses	\$ 947,537	\$ 44,456	\$ 74,057	\$ 266,513	\$ 170,483	\$ 436,996	\$ 1,503,045

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ 127,435
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	73,210
Loss on disposition of property	3,711
Changes in operating assets and liabilities	
Decrease in grants receivable	20,624
Increase in prepaid expenses	(8,050)
Decrease in accounts payable	(871)
Increase in accrued expenses	<u>247</u>
Net cash provided by operating activities	<u>216,306</u>
Cash flows from investing activities:	
Net purchases of furniture and equipment	<u>(77,839)</u>
Net cash used by investing activities	<u>(77,839)</u>
Cash flows from financing activities:	
Payments on notes payable	<u>(186,901)</u>
Net cash used by financing activities	<u>(186,901)</u>
Decrease in Cash	(48,434)
Cash, Beginning of Year	<u>323,340</u>
Cash, End of Year	<u><u>\$ 274,906</u></u>
Supplemental disclosure:	
Interest paid during the year	<u><u>\$ 5,731</u></u>

See Notes to Financial Statements

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

NEWHOUSE, INC. (the Organization) is a Missouri not-for-profit corporation providing services to victims of domestic violence and their families. The services of the Organization are available to the Kansas City metropolitan area.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets are classified and reported as follows:

Unrestricted net assets- Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions on their use that may be met by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the organization. Generally, the donors permit the organization to use all or part of the income earned for either general or donor-specified purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Donated Goods and Services

The Organization receives a substantial amount of clothing, food and household goods and supplies, which it uses in its programs. Donated services are also received. Donated goods and services are recorded in the financial statements at the fair market values based upon the market rate if the organization were required to purchase these goods or services. Auction items for the special event are recorded in the statements on the same basis.

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts

Support received under grants and contracts with the United States government, state and local governments and private foundations is recorded as public support when the related direct costs are incurred and revenues earned. Historically this support has been shown as unrestricted as any donor restrictions are met in the same period the contributions were received.

Functional Expenses

NEWHOUSE allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly to their natural expenditure classification. Other expenses that are common to several functions are allocated on a percentage basis, utilizing payroll allocation percentages and other management estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all moneys in banks and investments with maturity dates of less than three months.

Land, Buildings and Equipment

Property and acquisitions have been recorded at cost, if purchased, or fair market value, if donated. Additions with a cost or fair value less than \$5,000 are charged to expense as incurred. Gains and losses on disposition of property are recognized when incurred and increase unrestricted assets unless specified for a restricted use.

Depreciation is provided on the straight-line method over estimated useful lives of 30 years for buildings and 5 to 10 years for equipment. Land is not depreciated.

Income Tax Status

The Organization has received a letter of determination from the Internal Revenue Service advising it that it qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, and therefore, is not subject to income tax. The Organization did not have any unrelated business income for the year ended December 31, 2009.

Subsequent Events

Subsequent events have been evaluated through February 10, 2010, which is the date the financial statements were available to be issued.

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 37,211
Building	1,430,253
Furniture and equipment	<u>469,166</u>
	1,936,630
Less accumulated depreciation	<u>872,114</u>
	<u>\$1,064,516</u>

NOTE 3: LINE OF CREDIT

In April 2009, the Organization obtained a \$200,000 revolving line of credit with an individual to help finance its short-term capital needs. This line is collateralized by a mortgage on the building facility. Interest is payable monthly on outstanding balances at an interest rate of 6.5%. No borrowings occurred during 2009 and none have occurred in 2010 through the date of the independent auditors' report.

NOTE 4: FAIR VALUE MEASUREMENTS

NEWHOUSE adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, pertaining to the valuation of certain assets and liabilities for the year ended December 31, 2009. These provisions define fair value, establish a consistent framework for measuring fair value and expand the related disclosure requirements. These provisions establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

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

	<u>Level 3</u>
Donated shelter services and supplies	\$120,420
Donated food	12,925
Donated salaries and labor	74,696
Donated fundraising	<u>26,197</u>
	<u>\$234,238</u>

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The valuation included in the financial statements for donated goods and services is obtained from the donor based on similar services and goods provided to their customers.

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the level 3 assets (donated goods and services) for the year ended December 31, 2009.

	<u>Shelter</u> <u>Services and</u> <u>Supplies</u>	<u>Food</u>	<u>Salaries</u> <u>and Labor</u>	<u>Fundraising</u>
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Revenues recognized	120,420	12,925	74,696	26,197
Expensed	(120,420)	(12,925)	(74,696)	(26,197)
Realized, unrealized gains and losses	-	-	-	-
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5: RETIREMENT PLAN

NEWHOUSE sponsors a defined contribution plan covering all eligible employees who have a year of service and have attained the age of 21. Eligible employees may contribute up to 12% of pre-tax income as defined by the plan. The employer will match the contribution in an amount equal to 25% of the employee's contribution, up to 1% of the employee's eligible compensation. The employer may also make a discretionary contribution in an amount to be determined from year to year and allocated based on compensation. For the year ended December 31, 2009, employer's matching contributions were \$2,080.

EMERICK & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With Governmental Auditing Standards**

Board of Directors
Newhouse, Inc.
Kansas City, Missouri

We have audited the financial statements of NEWHOUSE, INC. as of and for the year ended December 31, 2009, and have issued our report thereon dated February 10, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NEWHOUSE'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 NEWHOUSE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NEWHOUSE's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 NEWHOUSE'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 management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Emerich + Company, P.C.

February 10, 2010
Kansas City, Missouri