

NEWHOUSE, INC.

**Auditors' Report and
Financial Statements**

December 31, 2008

NEWHOUSE, INC.
DECEMBER 31, 2008
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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, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the 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 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 the 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, 2008, 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 March 13, 2009 on our consideration of Newhouse'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. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Kansas City, Missouri
March 13, 2009

NEWHOUSE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

Assets:	
Cash and cash equivalents	\$ 323,340
Grants receivable	58,848
Land, building and equipment at cost, less accumulated depreciation of \$811,375	<u>1,063,599</u>
Total Assets	<u><u>\$ 1,445,787</u></u>
Liabilities:	
Accounts payable	\$ 8,181
Accrued expenses	20,528
Notes payable	<u>186,902</u>
Total Liabilities	<u>215,611</u>
Net Assets:	
Unrestricted	
Invested in land, building and equipment	908,443
Undesignated	<u>321,733</u>
Total Net Assets	<u>1,230,176</u>
Total Liabilities and Net Assets	<u><u>\$ 1,445,787</u></u>

See Notes to Financial Statements

**NEWHOUSE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

	<u>Unrestricted</u>
Public Support:	
Contributions:	
In-kind	\$ 127,553
Private grants and contributions	853,693
United Way	65,377
Government grants	622,983
Total Public Support	<u>1,669,606</u>
 Revenue:	
Special events	67,528
Miscellaneous	4,325
Interest income	550
Total Revenue	<u>72,403</u>
 Total Public Support and Revenue	<u>1,742,009</u>
 Expenses:	
Program services:	
Residential	850,144
Children	29,958
Outreach	80,073
Total Program Services	<u>960,175</u>
Supporting services:	
Management and general	226,137
Fundraising	222,865
Total Supporting Services	<u>449,002</u>
 Total Expenses	<u>1,409,177</u>
 Change in Net Assets	332,832
 Net Assets, Beginning of Year	<u>897,344</u>
 Net Assets, End of Year	<u>\$ 1,230,176</u>

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program Services			Supporting Services			Total Expenses
	Residential	Children	Outreach	Total	Management and General	Fund Raising	
Operating Expenses:							
Compensation	\$ 458,129	\$ 16,143	\$ 43,150	\$ 517,422	\$ 121,860	\$ 104,675	\$ 743,958
Fringe benefits	46,238	1,629	4,355	52,222	12,299	10,565	75,086
Payroll taxes	43,088	1,518	4,058	48,663	11,461	9,845	69,970
Occupancy and meals	113,590	4,003	10,699	128,291	30,214	25,953	184,459
Audit and accounting services	5,176	182	488	5,846	1,377	1,183	8,406
Insurance	16,739	590	1,577	18,906	4,453	3,825	27,183
Office supplies and expenses	14,545	513	1,370	16,428	3,869	3,323	23,620
Professional services	9,366	330	882	10,578	2,491	2,140	15,209
Dues, subscriptions and workshops	2,243	79	211	2,533	597	512	3,642
Travel	379	13	36	428	101	87	615
Special events	-	-	-	-	-	23,491	23,491
Other fund-raising expenses	-	-	-	-	-	8,837	8,837
Interest expense	16,226	573	1,529	18,327	4,319	-	22,646
Other expenses	1,767	62	166	1,996	470	404	2,870
In-kind	78,547	2,768	7,398	88,713	20,894	17,947	127,553
Total Operating Expenses	806,033	28,404	75,918	910,355	214,404	212,786	1,337,545
Nonoperating Expenses:							
Depreciation	44,111	1,554	4,155	49,820	11,733	10,079	71,632
Total Expenses	\$ 850,144	\$ 29,958	\$ 80,073	\$ 960,175	\$ 226,137	\$ 222,865	\$ 1,409,177

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

Cash flows from operating activities	
Change in net assets	\$ 332,832
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	71,632
Decrease in grant receivable	31,081
Increase in accounts payable	1,184
Decrease in accrued expenses	<u>(76,888)</u>
Net cash provided by operating activities	<u>359,841</u>
Cash flows from financing activities:	
Net payments on line of credit	(85,710)
Payments on notes payable	<u>(16,857)</u>
Net cash used by financing activities	<u>(102,567)</u>
Increase in Cash	257,277
Cash, Beginning of Year	<u>66,063</u>
Cash, End of Year	<u><u>\$ 323,340</u></u>
Supplemental disclosure:	
Interest paid during the year	<u><u>\$ 22,646</u></u>

See Notes to Financial Statements

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The restrictions are based on the donor's restrictions at the time of a contribution.

Revenues

The Organization recognizes revenues in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Made*.

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. These are recorded in the financial statements at the values assigned to them by the donor. Volunteer hours for specialized services such as advocates, computer services, and legal services are also recorded in the financial statements at a value established by the donor or as specified by governmental grantors. In-kind goods and services for the year ended December 31, 2008 were shelter services and supplies \$124,597; food \$479; and fundraising \$2,477.

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

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 since any donor restrictions are met in the same period the contributions were received.

Land, Buildings and Equipment

Property and acquisitions have been recorded at cost, if purchased, or fair market value, if donated. Maintenance and repairs 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.

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.

Income Tax Status

Newhouse 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, 2008.

Cash and Cash Equivalents

Cash and cash equivalents include all moneys in banks and investments with maturity dates of less than three months, including money market accounts.

NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 37,211
Buildings	1,381,266
Vehicles	16,183
Furniture and equipment	<u>440,314</u>
	1,874,974
Less accumulated depreciation	<u>811,375</u>
	<u>\$1,063,599</u>

NOTE 3: NOTES PAYABLE

Newhouse obtained a note payable of \$90,000 with a bank in 2002. The note bears interest at 5.0%, with monthly payments of \$952 principal and interest. The note matures on January 18, 2012. The balance on this note as of December 31, 2008 was \$31,745.

Minimum annual payments are:

2009	10,065
2010	10,580
Thereafter	<u>11,100</u>
	<u>\$ 31,745</u>

Newhouse also obtained a note payable of \$171,667 with a bank in 2006. The note bears interest at the Wall Street Journal prime rate plus 1%, with monthly payments of \$1,897, principal and interest. The note matures on October 14, 2009, with a balloon payment of approximately \$153,000. The balance on this note as of December 31, 2008 was \$155,156. The loan is secured by a deed of trust on the building. The interest rate at December 31, 2008 was 4.25%.

Minimum annual payments are:

2009:	<u>\$155,156</u>
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NEWHOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 4: 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, 2008, employer's matching contributions were \$3,115.

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, 2008, and have issued our report thereon dated March 13, 2009. 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 organization'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 organization'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, board of directors, and funding and pass – through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Emerick & Company, P.C.

March 13, 2009
Kansas City, Missouri