NEWHOUSE, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2015

NEWHOUSE, INC.
DECEMBER 31, 2015
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EMERICK & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS
David Emerick
Rick Hann

INDEPENDENT AUDITORS' REPORT

Board of Directors
Newhouse, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of Newhouse, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

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. 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 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 Newhouse, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2016 on our consideration of Newhouse, Inc.'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 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 Newhouse, Inc.'s internal control over financial reporting and compliance.

Emerich + Company, P.C.

July 25, 2016
Kansas City, Missouri

NEWHOUSE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

Assets	
Cash and cash equivalents	$ 264,271
Grants receivable	74,177
Pledges receivable, net of discount of $14,774	407,229
Cash restricted for capital expenditures	408,434
Land, building and equipment at cost, less accumulated depreciation of $1,342,283	964,792
Total Assets	$ 2,118,903
Liabilities	
Accounts payable	$ 32,792
Accrued expenses	93,231
Line of credit - related party	100,000
Total Liabilities	226,023
Net Assets	
Unrestricted	
Invested in land, building and equipment	964,792
Undesignated	(159,242)
	805,550
Temporarily restricted	1,087,330
Total Net Assets	1,892,880
Total Liabilities and Net Assets	$ 2,118,903

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Unrestricted Net Assets	
Public Support	
Contributions	
Private grants and contributions	$ 169,912
In-kind contributions of goods and services	122,301
United Way	60,711
Government grants	818,839
Total Public Support	1,171,763
Revenue	
Special events	396,480
Interest income	93
Total Revenue	396,573
Net assets released from restrictions	325,687
Total Public Support and Revenue	1,894,023
Expenses	
Program services	
Residential	1,070,788
Children	186,018
Outreach	165,522
Education	69,311
Total Program Services	1,491,639
Supporting services	
Management and general	193,807
Fundraising	337,556
Capital Campaign	230,144
Total Supporting Services	761,507
Total Expenses	2,253,146
Decrease in Unrestricted Net Assets	(359,123)
Temporarily Restricted Net Assets	
Private grants and contributions	1,121,724
In-kind contributions of goods and services	79,000
Net assets released from restrictions	(325,687)
Increase in Temporarily Restricted Net Assets	875,037
Change in Net Assets	515,914
Net Assets, Beginning of Year	1,376,966
Net Assets, End of Year	$ 1,892,880

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services					Supporting Services				
	Residential	Children	Outreach	Education	Total	Management and General	Fund-Raising	Capital Campaign	Total	Total Expenses
Operating Expenses										
Compensation	$ 489,256	$ 117,792	$ 99,675	$ 39,995	$ 746,718	$ 133,612	$ 159,159	$ -	$ 292,771	$ 1,039,489
Fringe benefits	43,031	13,103	1,195	72	57,401	9,450	17,010	-	26,460	83,861
Payroll taxes	45,100	11,415	9,785	3,872	70,172	12,087	14,915	-	27,002	97,174
Occupancy and meals	200,627	18,304	29,862	335	249,128	9,050	9,018	869	18,937	268,065
Audit and accounting services	2,580	4,320	4,320	-	11,220	2,368	2,206	-	4,574	15,794
Insurance	28,951	5,330	5,367	-	39,648	4,887	2,849	-	7,736	47,384
Office supplies and expenses	8,702	4,118	2,214	2,467	17,501	2,935	5,261	8,805	17,001	34,502
Professional services	86,059	2,235	2,047	19,373	109,714	2,837	12,624	102,076	117,537	227,251
Dues, subscriptions and workshops	23,242	4,924	4,459	1,582	34,207	-	801	-	801	35,008
Travel	404	-	2,588	-	2,992	-	50	-	50	3,042
Special events	-	-	-	-	-	-	63,372	39,394	102,766	102,766
Direct benefits to clients	133	-	-	-	133	-	-	-	-	133
Other expense	851	270	256	49	1,426	2,144	-	-	2,144	3,570
Interest	161	-	-	-	161	8,732	-	-	8,732	8,893
In-kind	56,777	4,207	3,754	1,566	66,304	5,705	50,291	79,000	134,996	201,300
Total Operating Expenses	985,874	186,018	165,522	69,311	1,406,725	193,807	337,556	230,144	761,507	2,168,232
Nonoperating Expenses										
Depreciation	84,914	-	-	-	84,914	-	-	-	-	84,914
Total Expenses	$ 1,070,788	$ 186,018	$ 165,522	$ 69,311	$ 1,491,639	$ 193,807	$ 337,556	$ 230,144	$ 761,507	$ 2,253,146

See Notes to Financial Statements

NEWHOUSE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	
Change in net assets	$ 515,914
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation expense	84,914
Contributions restricted for capital expenditures	(515,597)
Changes in operating assets and liabilities	
Increase in grants receivable	(46,091)
Increase in pledges receivable	(251,479)
Increase in restricted funds	(373,524)
Increase in accounts payable	13,430
Increase in accrued expenses	14,777
Net cash used by operating activities	(557,656)
Cash flows from investing activities	
Purchases of furniture and equipment	(65,470)
Net cash used by investing activities	(65,470)
Cash flows from financing activities	
Payments on note payable and line of credit, net	(44,996)
Contributions restricted for capital expenditures	515,597
Net cash provided by financing activities	470,601
Decrease in cash	(152,525)
Cash and cash equivalents, Beginning of Year	416,796
Cash and cash equivalents, End of Year	$ 264,271
Supplemental disclosure	
Interest paid during the year	$ 8,894

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 (GAAP).

Revenues, 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 restrictions.

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 GAAP 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.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and revenue when received. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Pledges to give are classified as temporarily restricted net assets based in accordance with donor-specified restrictions.

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 goods 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.

The Organization recognizes donated services that create or enhance non-financial assets or that require specialized skills, if the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not provided by donation. The Organization received donated services valued at $79,000 for the year ended December 31, 2015 for consulting and fundraising services. These services met the criteria for recognition in the financial statements and have been recorded as in-kind contributions. Additionally, unpaid volunteers have provided support of program, administrative and development activities in the year ended December 31, 2015. These services did not

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

Donated Goods and Services (Continued)

meet the criteria for recognition in the financial statements and no value has been recorded.

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. This support is shown as unrestricted if donor restrictions are met in the same period the contributions were received.

Functional Expenses

Newhouse, Inc. 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 monies in banks and investments with maturity dates of less than three months. Restricted cash is limited in use for capital expenditures.

At December 31, 2015 the Organization has cash balances in a bank in excess of amounts federally insured. The uninsured balances totaled approximately $158,000. The Organization maintains its cash with a high quality financial institution which the Organization believes limits these risks.

Land, Building and Equipment

Land, building and equipment 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 five to ten years for equipment. Land is not depreciated.

Income Tax Status

The Organization has received a letter of determination from the Internal Revenue Service (IRS) advising it that it qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC), and therefore, is not subject to income tax. The Organization did not have any unrelated business income for the year ended December 31, 2015.

Subsequent Events

Subsequent events have been evaluated through July 25, 2016 which is the date the financial statements were available to be issued.

NOTE 2: PLEDGES RECEIVABLE

Pledges receivable consists of the following at December 31, 2015:

Due in less than one year	$ 216,559
Due in one to five years	205,444
	422,003
Less: discount, at 4%	14,774
	$ 407,229

Pledges receivable are considered fully collectible at December 31, 2015 and no allowance for uncollectible pledges has been recorded. Pledges receivable include receivables from board members (Note 9).

NOTE 3: CONDITIONAL PROMISES TO GIVE

The Organization has received conditional promises to give totaling $700,000 contingent upon reaching minimum capital campaign goals. Since these promises to give are conditional, they are not recorded as contribution revenue until such conditions have been met. Subsequent to year-end, the conditions for these promises to give were met and the revenue will be recorded for the year ending December 31, 2016.

NOTE 4: LAND, BUILDING AND EQUIPMENT

Land	$ 37,211
Building	1,594,006
Furniture and equipment	675,858
	2,307,075
Less: accumulated depreciation	1,342,283
	$ 964,792

NOTE 5: LINE OF CREDIT

During the year ended December 31, 2015 the Organization entered into a line of credit agreement for amounts up to $100,000 with a related party, the spouse of an employee. The line of credit is interest-free. Any unpaid principal is due on December 31, 2017. The outstanding balance at December 31, 2015 is $100,000. Imputed interest for the year has not been recorded as it is considered by management to be immaterial.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $1,087,330 were held for the following purposes at December 31, 2015:

Programming	$ 42,833
Capital expenditures	43,295
Capital campaign	1,001,202
	$ 1,087,330

NOTE 7: CAPITAL CAMPAIGN

During the year ended December 31, 2014, the Organization embarked on a capital campaign to raise funds for three purposes; operations, capital improvements and programming. The capital campaign continued during 2015. Those contributions that have been made as capital campaign contributions but have not been specified for a specific purpose within the capital campaign are identified with the restricted

NOTE 7: CAPITAL CAMPAIGN (Continued)

purpose of “capital campaign”.

During 2015, the Organization has received in-kind contributions of $79,000 for services related to the capital campaign. Full managed services, including the use of a server of $44,000 and architectural services of $35,000 were contributed during the year. The valuation included in the financial statements for contributed services is obtained from the donor. The services are recorded as “in-kind contributions” in the Statement of Activities and as “Capital Campaign” and “in-kind expenses” in the Statement of Activities and Statement of Functional Expenses, respectively.

NOTE 8: RETIREMENT PLAN

Newhouse, Inc. sponsors a defined contribution plan covering eligible employees who have a year of service and are 21 years of age. Eligible employees may contribute up to 12% of pre-tax income as defined by the plan. Newhouse will match the contribution in an amount equal to 25% of the employee’s contribution, up to 1% of the employee’s eligible compensation. Newhouse may also make a discretionary contribution in an amount to be allocated based on compensation. For the year ended December 31, 2015, employer’s matching contributions were $1,759.

NOTE 9: RELATED PARTY TRANSACTIONS

Pledges receivable (Note 2) from members of the board of directors and employees consist of the following at December 31, 2015:

Due in less than one year	$	105,123
Due in one to five years		190,894
		296,017
Less: discount, at 4%		13,644
	$	282,373

SUPPLEMENTAL INFORMATION

EMERICK & COMPANY, P.C.
David Emerick
Rick Hann
CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

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

Board of Directors
Newhouse, Inc.
Kansas City, Missouri

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 Newhouse, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Newhouse, Inc.'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 Newhouse, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Newhouse, Inc.'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 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. 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify the following deficiencies in internal control that we consider to be significant deficiencies as follows:

2016-1

Criteria: Generally accepted accounting principles (GAAP) require that unconditional promises to give be recorded as receivables and revenue when received. Pledges should be recorded after being discounted to the anticipated net present value of the future cash flows. GAAP also requires that contributions are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as unrestricted, temporarily restricted or permanently restricted.

Condition: Unconditional promises to give were recorded on a cash basis and contributions for the capital campaign were not always appropriately classified as temporarily restricted for the capital campaign. Net assets were not adequately classified.

Cause: Reconciliations between the general ledger and the donor database did not occur on a regular basis. Multi year promises to give were not properly recorded. There is no process for tracking additions to and releases from net assets.

Effect: It was necessary for the Organization to outsource certain accounting functions in order tocomplete the reconciliation of the general ledger to the donor database and to appropriately identify all contributions restricted for the capital campaign. Adjusting journal entries were required to properly record unconditional promises to give. Classification and presentation of net assets in accordance with GAAP was difficult and additional work was required during the audit process to ensure proper classification and presentation.

Recommendation: We recommend that the Organization establish a process to routinely reconcile the general ledger to the donor database. The Organization should also ensure multi-year pledges are recorded as receivables and revenue at the time received, and discounted to present value. Recording restricted contributions in a separate general ledger account and maintaining a schedule of additions to and releases of restrictions will ensure proper classification of net assets.

Organization's Response: The Organization has taken several steps to implement this recommendation. Prior to completion of the audit, the Organization outsourced aspects of the accounting function to ensure a complete reconciliation of contributions recorded in the general ledger to contributions recorded in the donor database. A process has been established such that this reconciliation will be performed by Organization personnel on a regular basis. During the reconciliation process, all contributions restricted for the capital campaign were identified. The Organization will immediately begin identifying restricted contributions as they are received and maintaining a schedule of releases of restrictions as they occur.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newhouse Inc.'s financial statements are free from 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*.

Newhouse, Inc.'s Response to Findings

Newhouse, Inc.'s response to the findings identified in our audit is described previously. Newhouse, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Emerick + Company, P.C.

Emerick & Company, P.C.
Kansas City, Missouri
July 25, 2016