

Next Door Solutions to Domestic Violence

Financial Statements and Supplementary Information

For the Year Ended
June 30, 2015 (With Comparative Totals
for the Year Ended June 30, 2014)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Next Door Solutions to Domestic Violence
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Next Door Solutions to Domestic Violence (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 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.

Auditor's 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 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 Organization'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 Next Door Solutions to Domestic Violence as of June 30, 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.

Report on Summarized Comparative Information

Next Door Solutions to Domestic Violence's financial statements for the year ended June 30, 2014, were audited by Berger Lewis Accountancy Corporation, whose practice became part of Armanino^{LLP} as of January 1, 2015, and whose report dated October 7, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and other governmental awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 November 6, 2015, on our consideration of Next Door Solutions to Domestic Violence'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 Next Door Solutions to Domestic Violence's internal control over financial reporting and compliance.


Armanino^{LLP}
San Jose, California

November 6, 2015

SECTION I
FINANCIAL SECTION
FINANCIAL STATEMENTS

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Statement of Financial Position
June 30, 2015
(With Comparative Totals as of June 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 1,261,996	\$ 948,277
Grants receivable	277,782	500,386
Pledges receivable	183,250	70,583
Accounts receivable	1,584	220
Prepaid expenses and other current assets	<u>72,820</u>	<u>48,931</u>
Total current assets	<u>1,797,432</u>	<u>1,568,397</u>
Property and equipment, net	<u>250,173</u>	<u>233,800</u>
Total assets	<u>\$ 2,047,605</u>	<u>\$ 1,802,197</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 99,726	\$ 195,960
Accrued liabilities	184,653	153,311
Deferred revenue	<u>8,000</u>	<u>-</u>
Total current liabilities	<u>292,379</u>	<u>349,271</u>
Net assets		
Unrestricted net assets		
Undesignated	319,929	239,073
Board designated operating reserve	790,000	695,000
Board designated administrative reserve	67,094	-
Property and equipment fund	<u>250,173</u>	<u>233,800</u>
Total unrestricted net assets	1,427,196	1,167,873
Temporarily restricted net assets	<u>328,030</u>	<u>285,053</u>
Total net assets	<u>1,755,226</u>	<u>1,452,926</u>
Total liabilities and net assets	<u>\$ 2,047,605</u>	<u>\$ 1,802,197</u>

The accompanying notes are an integral part of these financial statements.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Statement of Activities
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Government grants	\$ 1,369,780	\$ -	\$ 1,369,780	\$ 1,552,096
Contributions	786,158	559,000	1,345,158	993,641
Government funding	107,384	-	107,384	111,402
Contributions in-kind	69,638	-	69,638	205,799
Other revenue	6,756	-	6,756	24,868
Gain on disposal of assets	1,100	-	1,100	-
Interest	799	-	799	1,250
Net assets released from restrictions	<u>516,023</u>	<u>(516,023)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,857,638</u>	<u>42,977</u>	<u>2,900,615</u>	<u>2,889,056</u>
Expenses				
Program services				
24 hour emergency services	727,411	-	727,411	700,396
Self-sufficiency	336,889	-	336,889	317,486
Community and systems advocacy	632,567	-	632,567	819,192
POWER	<u>188,819</u>	<u>-</u>	<u>188,819</u>	<u>131,182</u>
Total program services	<u>1,885,686</u>	<u>-</u>	<u>1,885,686</u>	<u>1,968,256</u>
Supporting services				
Management and general	370,450	-	370,450	369,934
Fundraising	<u>342,179</u>	<u>-</u>	<u>342,179</u>	<u>397,878</u>
Total supporting services	<u>712,629</u>	<u>-</u>	<u>712,629</u>	<u>767,812</u>
Total expenses	<u>2,598,315</u>	<u>-</u>	<u>2,598,315</u>	<u>2,736,068</u>
Change in net assets	259,323	42,977	302,300	152,988
Net assets, beginning of year	<u>1,167,873</u>	<u>285,053</u>	<u>1,452,926</u>	<u>1,299,938</u>
Net assets, end of year	<u>\$ 1,427,196</u>	<u>\$ 328,030</u>	<u>\$ 1,755,226</u>	<u>\$ 1,452,926</u>

The accompanying notes are an integral part of these financial statements.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Statement of Functional Expenses
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services	Supporting Services			Total Expenses	
		Management and General	Fundraising	Total	2015	2014
Salaries	\$ 961,096	\$ 229,333	\$ 142,138	\$ 371,471	\$ 1,332,567	\$ 1,294,409
Employee benefits	117,470	18,332	10,195	28,527	145,997	141,615
Payroll taxes	<u>90,301</u>	<u>17,410</u>	<u>13,150</u>	<u>30,560</u>	<u>120,861</u>	<u>120,093</u>
Total salaries and related expenses	1,168,867	265,075	165,483	430,558	1,599,425	1,556,117
Professional services (includes in-kind)	362,580	53,452	128,690	182,142	544,722	725,781
Occupancy (includes in-kind)	169,705	23,405	14,332	37,737	207,442	203,449
Program food and supplies	42,529	-	-	-	42,529	40,694
Communications	35,438	3,446	1,719	5,165	40,603	28,414
Office expenses	17,472	6,002	16,081	22,083	39,555	34,415
Equipment maintenance and rent	12,311	5,819	5,543	11,362	23,673	49,962
In-kind materials	23,616	-	-	-	23,616	20,669
Depreciation	22,104	551	429	980	23,084	19,501
Insurance	14,556	1,786	1,045	2,831	17,387	17,894
Travel, conferences and meetings	13,190	589	2,932	3,521	16,711	15,999
Other expenses	3,318	7,325	5,925	13,250	16,568	15,690
Advertising	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>7,483</u>
Total functional expenses	<u>\$ 1,885,686</u>	<u>\$ 370,450</u>	<u>\$ 342,179</u>	<u>\$ 712,629</u>	<u>\$ 2,598,315</u>	<u>\$ 2,736,068</u>
Percentage of total	<u>73%</u>	<u>14%</u>	<u>13%</u>	<u>27%</u>	<u>100%</u>	

The accompanying notes are an integral part of these financial statements.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Statement of Functional Expenses (Details of Program Services)
For the Year Ended June 30, 2015

	24 Hour Emergency Services	Self- Sufficiency	Community and Systems Advocacy	POWER	Total Program Services
Salaries	\$ 327,384	\$ 220,009	\$ 296,925	\$ 116,778	\$ 961,096
Employee benefits	52,875	26,565	30,204	7,826	117,470
Payroll taxes	<u>30,066</u>	<u>21,035</u>	<u>27,502</u>	<u>11,698</u>	<u>90,301</u>
Total salaries and related expenses	410,325	267,609	354,631	136,302	1,168,867
Professional services (includes in-kind)	148,889	9,805	188,185	15,701	362,580
Occupancy	62,573	30,350	51,134	25,648	169,705
Program food and supplies	26,066	4,311	9,837	2,315	42,529
Communications	21,279	4,361	7,061	2,737	35,438
Office expenses	5,520	4,682	5,449	1,821	17,472
Equipment maintenance and rent	3,747	3,135	4,108	1,321	12,311
In-kind materials	23,616	-	-	-	23,616
Depreciation	19,180	1,283	1,396	245	22,104
Insurance	4,085	3,710	4,948	1,813	14,556
Travel, conferences and meetings	1,193	6,764	4,502	731	13,190
Other expenses	<u>938</u>	<u>879</u>	<u>1,316</u>	<u>185</u>	<u>3,318</u>
Total functional expenses	<u>\$ 727,411</u>	<u>\$ 336,889</u>	<u>\$ 632,567</u>	<u>\$ 188,819</u>	<u>\$ 1,885,686</u>
Percentage of total	<u>38%</u>	<u>18%</u>	<u>34%</u>	<u>10%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Statement of Cash Flows
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 302,300	\$ 152,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,084	19,501
Gain on disposal of assets	(1,100)	-
Changes in operating assets and liabilities:		
Grants receivable	222,604	(84,738)
Pledges receivable	(112,667)	(53,522)
Accounts receivable	(1,364)	541
Prepaid expenses and other current assets	(23,889)	(6,121)
Accounts payable	(96,234)	54,728
Accrued liabilities	31,342	6,786
Deferred revenue	8,000	-
Net cash provided by operating activities	352,076	90,163
Cash flows from investing activities		
Purchase of property and equipment	(39,457)	(19,231)
Proceeds from sale of assets	1,100	-
Net cash used in investing activities	(38,357)	(19,231)
Net increase in cash and cash equivalents	313,719	70,932
Cash and cash equivalents, beginning of year	948,277	877,345
Cash and cash equivalents, end of year	\$ 1,261,996	\$ 948,277

The accompanying notes are an integral part of these financial statements.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

1. Organization

Next Door Solutions to Domestic Violence (the "Organization"), established in 1971, has extensive experience in working with the unique needs of those impacted by domestic violence (DV) and in the provision of targeted and impactful programs with measurable outcomes that address serious unmet community need in Santa Clara County (SCC). The Organization has positioned itself as a recognized and trusted *Thought Leader* in the nonprofit and domestic violence services sector and participates in collaborative efforts to address systemic domestic violence and ensuing issues faced by those escaping violence and seeking safety, stability and self-sufficiency. Currently, the Organization is the only freestanding domestic violence agency in the county that provides a full array of domestic violence services. Organization programs offer a range of culturally and linguistically appropriate services that are comprehensive, compassionate and women-defined in order to meet the unique and diverse needs of SCC's financially, ethnically, and linguistically diverse families. In the years ended June 30, 2015 and 2014, the Organization's programs provided 15,542 and 15,722 advocacy services, respectively with 12,015 and 17,074 hotline calls. As a multicultural, public benefit agency dedicated to proactive and progressive solutions to domestic violence through embedded advocates in multiple community entry points, the Organization also conducts community outreach and DV educational activities to groups of all ages, genders, and ethnicities to create an environment for change to a "violence is not acceptable" community.

The Organization:

- Affirms that all aspects of domestic violence must be addressed to reduce this problem,
- Believes that addressing the needs of both adults and children impacted by domestic violence is the key to ending domestic violence in the moment and for all time, and
- Believes that community support, advocacy, and multiple community entry points are critical to long-term solutions to the epidemic of domestic violence that affects our local and national population.

2. Program Services

The Organization serves victims of domestic violence in various advocacy capacities and multiple community entry points. The Organization builds a partnership between advocates and victims whereby the client define the advocacy and help needed.

24 Hour Emergency Services:

- Shelter Next Door - Clients receive safe respite from potentially life-threatening abuse including shelter, food, toiletries, medicines, links to emergency cash aid and food stamps, peer counseling (case management), housing assistance, financial literacy screening, and emergency transportation. The Shelter houses approximately 21 people at any one time.
- 24-Hour Hotline - Callers receive a live-voice response from a bilingual Spanish advocate 24 hours a day, seven days a week; interpreter services are available for other languages. Services received include peer crisis counseling, information, and referrals to other social service agencies as needed.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

2. Program Services (continued)

Self-Sufficiency:

The Organization's belief is if a victim can gain self-empowerment and self-resilience they will become self-sustaining and will achieve a state of self-sufficiency.

- Self-Sufficiency Program - Through workshops in the broader subject areas of financial literacy, educational opportunities exploration, job search/preparedness, and individual consultations, clients receive information that helps them move towards personal self-sufficiency. Workshops focusing on health and a series of exercise classes are also available. Clients receive comprehensive, woman-defined case management to assist in reaching personal self-sufficiency goals based on the seven (7) pillars of income, education, housing, food, health, employment, and wellness.
- CalWorks (California's Welfare to Work Program) - CalWorks is a welfare program that gives cash aid and services to eligible needy California families. The Organization provides an embedded advocate at the CalWorks office where DV victims receive services to protect their benefits when DV prevents them from gaining and maintaining meaningful employment.
- HomeSafe - Through a partnership with Charities Housing Development Corporation, clients receive long-term supportive housing and transitional services at two housing sites located in San Jose and Santa Clara. Transitional services including self-sufficiency workshops, health focus workshops, case management, Kids Club and other youth and family activities that promote bonding.
- Support Groups - Clients receive peer support aimed at building individual resilience and self-esteem in a group setting. Each group is facilitated by an advocate and clients can choose from any number of the 12 customized support groups, including 2 groups offered in Spanish and 1 quilting support group. 7 groups are held at the community office, a 12-Step co-dependents anonymous group is offered at each HomeSafe site, and an additional 3 are held in Mountain View, Los Gatos, and Milpitas at the Elwood Correctional Facility. Support groups are ongoing.
- Kids Club - Children of women attending support groups at the community office and those residing at HomeSafe are given the opportunity to participate in thoughtful, engaging and fun activities through Kids Club. It is a space for kids who have experienced/witnessed trauma to just be kids. Activities and subjects vary by site and can include art, reading, storytelling, homework help, health and nutrition, creative play, and fun.

Community and Systems Advocacy:

- Walk-In Crisis Counseling - Clients receive services from an Organization advocate to address barriers to safety, stability and self-sufficiency. Working with the advocate, clients receive an assessment, to determine the client's particular needs, and then help in determining which services would benefit them, and assistance in accessing those services. Services include safety planning, risk assessments, advocacy, restraining order assistance, support, and referrals.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

2. Program Services (continued)

- Legal Services - Working with the Organization's advocates, clients receive legal assistance with temporary restraining orders, court accompaniment and other domestic violence related court hearings and immigration services. The Organization also provides follow-up services for the Campbell Police Department and the Sheriff's Office.
- San Jose Family Violence Center (FVC) - The Organization provides an embedded Advocate at FVC, a one-stop center for victims of domestic abuse, including children and the elderly. The goal of FVC is to address family violence issues by serving as the core for a multi-agency effort; law enforcement, prosecutor, community advocates, government advocates, and child advocate specialists. Through this cooperative effort, clients receive all the support services available to victims of family violence in a safe and friendly environment.
- Mayview Partnership - The Organization collaborates with the Mayview Community Health Center in the *Domestic Violence and Health Care* partnership to address and prevent domestic violence through integrated models of service and system-level improvements.

POWER:

- POWER Program (Proud of Wanting Equal Relationships) - Teens, recruited by the Organization, receive opportunities to engage in leadership development, such as the creation and implementation of a youth survey that assesses community attitudes about teen dating violence. Participants create and develop teen dating violence prevention, education and outreach campaigns that help youth engage in healthy relationships and learn signs of unhealthy relationships.

3. Summary of Significant Accounting Policies

Basis of accounting

The financial statements of Next Door Solutions to Domestic Violence have been prepared on the accrual basis of accounting.

In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, any net assets designated by the Board for specific purposes and the unrestricted property and equipment fund.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The carrying amounts reported in the statement of financial position for the following items approximate fair value because of the short maturity value of these instruments: grants receivable, pledges receivable, accounts receivable, accounts payable and accrued liabilities.

Grants, pledges and accounts receivable

The Organization considers all grants, pledges and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 5 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2015 and 2014, and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2015 and 2014 was \$67,630 and \$61,578, respectively.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Temporarily restricted contributions are reported as increases in temporarily or restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 8.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect salary allocations are based on periodic time studies and/or management's estimates. Other indirect costs are allocated on the basis of full time equivalent staff members in each function.

Income taxes

Next Door Solutions to Domestic Violence is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in income taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the years ended June 30, 2012 and beyond remain subject to possible examination by the Internal Revenue Service, generally for 3 years after they are filed. The Organization's California returns of the tax years ended June 30, 2011 and beyond remain subject to possible examination by the Franchise Tax Board, generally for 4 years after they are filed.

Advertising

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2015 and 2014 was \$3,000 and \$7,483, respectively.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

3. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2015 for potential recognition or disclosure in the financial statements. The Organization did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2015. Subsequent events have been evaluated through the date the financial statements became available to be issued, November 6, 2015.

4. Property and Equipment

The cost and related accumulated depreciation of the property and equipment as of June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 96,974	\$ 96,974
Buildings and improvements	271,959	268,021
Equipment and furniture	206,252	197,648
Equipment under capital lease	17,104	53,045
Leasehold improvements	52,642	52,642
Vehicles	<u>33,253</u>	<u>33,253</u>
	678,184	701,583
Less: accumulated depreciation	<u>(428,011)</u>	<u>(467,783)</u>
Property and equipment, net	<u>\$ 250,173</u>	<u>\$ 233,800</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$23,084 and \$19,501, respectively.

5. Board Designated Net Assets

Operating reserve

The Organization maintains a three month reserve to stabilize cash flow and cover any support and revenue shortfalls that occur because of grant delays and seasonal variation in fundraising receipts that do not meet budget expectations. Government, foundation, and corporation grants can make up a significant portion of the Organization's support and revenue, and there can be significant delays in the receipt of these monies after an award. The operating reserve totaled \$790,000 and \$695,000 as of June 30, 2015 and 2014, respectively.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

5. Board Designated Net Assets (continued)

Administrative reserve

A second reserve was established during the year ended June 30, 2015, to ensure adequate administrative support for the Organization which will allow for greater efficiency and increased community outreach. The administrative reserve totaled \$67,094 and \$0 as of June 30, 2015 and 2014, respectively.

6. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets as of June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Purpose restricted		
Mayview health partnership	\$ 130,449	\$ -
Self-sufficiency	94,668	76,300
Community and systems advocacy	50,750	57,261
Strategic planning	24,663	-
24 hour emergency services	17,500	32,611
POWER	7,000	15,208
Fund development	3,000	5,053
Technological improvements	-	68,620
Time restricted		
General operating	<u>-</u>	<u>30,000</u>
Total temporarily restricted net assets	<u>\$ 328,030</u>	<u>\$ 285,053</u>

7. Net Assets Released from Restriction

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

Purpose restricted	
Self-sufficiency	\$ 183,508
Mayview health partnership	79,551
Technological improvements	68,620
Community and systems advocacy	62,301
24 hour emergency services	41,444
POWER	40,208
Strategic planning	5,338
Fund development	5,053
Time restricted	
General operating	<u>30,000</u>
Total net assets released from restrictions	<u>\$ 516,023</u>

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

8. Contributions In-Kind

During the years ended June 30, 2015 and 2014, volunteers donated 1,497 and 4,677 hours, respectively, to the Organization's various programs in professional services such as counseling, legal services, and the shelter hotline. The services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded as part of contributions in-kind in the financial statements at the estimated fair value at the time the services are rendered. For the years ended June 30, 2015 and 2014, management has estimated the value of these services to be \$46,022 and \$143,658, respectively.

Volunteers also donated 251 and 981 hours of non-professional services, such as childcare and general administrative services for the years ended June 30, 2015 and 2014, respectively. Management has estimated the value of these services to be \$4,169 and \$16,152. Since these services did not require specialized skills, they have not been recorded as support and expense in the financial statements.

The Organization receives a large volume of food for use in its programs. The value of these items was estimated for the years ended June 30, 2015 and 2014 to be \$23,616 and \$20,669, respectively.

The Organization received three months free office rent in the year ended June 30, 2014. The value of the three months of free office rent was estimated for the year ended June 30, 2014 to be \$41,472.

Contributions in-kind for the years ended June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Professional services	\$ 46,022	\$ 143,658
Materials	23,616	20,669
Office rent	<u>-</u>	<u>41,472</u>
Total contributions in-kind	<u>\$ 69,638</u>	<u>\$ 205,799</u>

9. Operating Lease Commitments

The Organization rents 11,520 square feet of office space at the rate of \$14,000 per month under a three year operating lease which expires March 31, 2017. The rate is to increase annually by 3%. Rental expense for the years ended June 30, 2015 and 2014 under this lease was \$169,328 and \$165,366, respectively.

Required future minimum lease payments under this lease are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 174,338
2017	<u>133,673</u>
Total future minimum lease payments	<u>\$ 308,011</u>

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Financial Statements
June 30, 2015

10. Contingencies

Grants and contracts awarded to Next Door Solutions to Domestic Violence are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

11. Conflict of Interest Policy

Included among the Organization's Board of Directors and Officers are volunteers from the community who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of business transactions. The Organization has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

SECTION II
SUPPLEMENTARY INFORMATION

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Schedule of Expenditures of Federal and Other Governmental Awards
Year Ended June 30, 2015

Government Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/ Period In Current Fiscal Year	Award Amount	Total Expenditures
<u>FEDERAL ASSISTANCE</u>					
<u>U.S. Department of Housing and Urban Development</u>					
Community Development Block Grants/Entitlement Grants Passed Through	14.218				
City of Milpitas		Unknown	7/1/14 - 6/30/15	\$ 5,000	\$ 5,000
City of San Jose		CPS-13-008	7/1/14 - 6/30/15	177,379	177,379
County of Santa Clara		PS-14-09	7/1/14 - 6/30/15	10,000	10,000
City of Los Gatos		20150085	7/1/14 - 6/30/15	15,000	15,000
Emergency Solutions Grant Program Passed Through the City of San Jose	14.231				
Supportive Housing Program	14.235	ESG-12-003A	7/1/14 - 6/30/15	52,000	52,000
Passed Through InnVision Shelter Network		Unknown	7/1/14 - 11/30/14	20,256	20,256
Passed Through InnVision Shelter Network		Unknown	12/1/14 - 6/30/15	<u>15,114</u>	<u>15,114</u>
Total U.S. Department of Housing and Urban Development				<u>294,749</u>	<u>294,749</u>
<u>U.S. Department of Homeland Security</u>					
Emergency Food and Shelter National Board Program	97.024	N/A	10/1/14 - 11/30/15	<u>8,907</u>	<u>8,907</u>
<u>U.S. Department of Justice</u>					
Crime Victim Assistance Passed Through the State of California - California Emergency Management Agency	16.575				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	DV13241416	7/1/14 - 6/30/15	209,309	209,309
Passed Through					
City of Morgan Hill		2008-WE-AX-0036	7/1/13 - 8/31/14	11,277	11,277
City of San Jose		Unknown	10/1/13 - 9/30/16	99,990	20,351
Legal Assistance for Victims	16.524	2013-WL-AX-0012	10/1/13 - 9/30/16	<u>499,998</u>	<u>142,241</u>
Total U.S. Department of Justice				<u>820,574</u>	<u>383,178</u>
<u>TOTAL FEDERAL ASSISTANCE</u>				<u>1,124,230</u>	<u>686,834</u>

See accompanying notes to schedule of expenditures of federal and other governmental awards.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Schedule of Expenditures of Federal and Other Governmental Awards
(Continued)
Year Ended June 30, 2015

Government Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor's Number/ Grant Number	Grant Period/ Period In Current Fiscal Year	Award Amount	Total Expenditures
<u>NON-FEDERAL ASSISTANCE</u>					
<u>State of California</u>					
State of California - California Emergency Management Agency	N/A	DV13241416	7/1/14 - 6/30/15	\$ 200,018	\$ 200,018
<u>County of Santa Clara</u>					
Department of Social Services - Shelter Next Door	N/A	4300008409	7/1/14 - 6/30/15	64,868	64,868
Department of Social Services - Domestic Violence Support Services	N/A	430008408	7/1/14 - 6/30/15	61,717	61,717
Department of Social Services - CalWORKS	N/A	MC.NDSO.ESI.14	7/1/14 - 6/30/15	83,189	83,189
Department of Social Services - Adult Protective Services	N/A	4300009204	7/1/14 - 6/30/15	60,000	60,000
Department of Social Services - The Children and Family Shelter Advocacy Program	N/A	4300008876	7/1/14 - 6/30/15	37,801	37,801
Department of Social Services - Measure A pass through United Way	N/A	4300009843	7/1/14 - 6/30/15	61,956	61,956
Total County of Santa Clara				<u>369,531</u>	<u>369,531</u>
<u>City of San Jose</u>					
City of San Jose - Family Violence Center	N/A	AC 25165	7/1/14 - 2/28/15	79,304	53,699
City of San Jose - Family Violence Center	N/A	AC 25165	3/1/14 - 6/30/15	79,304	29,698
City of San Jose - Safe Summer Initiative	N/A		7/1/14 - 6/30/15	20,000	20,000
Total City of San Jose				<u>178,608</u>	<u>103,397</u>
<u>City of Santa Clara</u>					
City of Santa Clara - Affordable Housing Services	N/A	20140086	7/1/14 - 6/30/15	10,000	10,000
TOTAL NON-FEDERAL ASSISTANCE				<u>748,157</u>	<u>682,946</u>
TOTAL GOVERNMENTAL ASSISTANCE				<u>\$ 1,872,387</u>	<u>\$ 1,369,780</u>

See accompanying notes to schedule of expenditures of federal and other governmental awards.

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Notes to Schedule of Expenditures of Federal and Other Governmental Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and other governmental awards (the "Schedule") includes the federal and other governmental grant activity of Next Door Solutions to Domestic Violence under programs of the federal, state and local government for the year ended June 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of Next Door Solutions to Domestic Violence, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Next Door Solutions to Domestic Violence.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

SECTION III
OTHER REPORTS

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
Next Door Solutions to Domestic Violence
San Jose, California

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 Next Door Solutions to Domestic Violence (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 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, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Next Door Solutions to Domestic Violence'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 Next Door Solutions to Domestic Violence's internal control. Accordingly, we do not express an opinion on the effectiveness of Next Door Solutions to Domestic Violence'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 Organization'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 Next Door Solutions to Domestic Violence'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*.

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.



Armanino^{LLP}
San Jose, California

November 6, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Next Door Solutions to Domestic Violence
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Next Door Solutions to Domestic Violence's (a California nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Next Door Solutions to Domestic Violence's major federal programs for the year June 30, 2015. Next Door Solutions to Domestic Violence's major federal programs are 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 each of Next Door Solutions to Domestic Violence's major federal programs 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 Next Door Solutions to Domestic Violence'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 Next Door Solutions to Domestic Violence's compliance.

Opinion on Each Major Federal Program

In our opinion, Next Door Solutions to Domestic Violence complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Next Door Solutions to Domestic Violence 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 Next Door Solutions to Domestic Violence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Next Door Solutions to Domestic Violence'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 a 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 that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Armanino^{LLP}
San Jose, California

November 6, 2015

SECTION IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Next Door Solutions to Domestic Violence.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Next Door Solutions to Domestic Violence, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Next Door Solutions to Domestic Violence expresses an unmodified opinion on all major federal programs.
6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major programs was:
 - CFDA 16.575 - Crime Victim Assistance
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Next Door Solutions to Domestic Violence was determined to be a low-risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

U.S. Department of Justice
Name of Program - Crime Victim Assistance
CFDA No. - 16.575
Grant Period - 7/1/14 - 6/30/15
None

NEXT DOOR SOLUTIONS TO DOMESTIC VIOLENCE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

None