

SAFE HORIZON, INC.



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2014 and 2013

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

SAFE HORIZON, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses.....	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-17

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Safe Horizon, Inc.

We have audited the accompanying financial statements of Safe Horizon, Inc. ("Safe Horizon"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Horizon, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
December 17, 2014



SAFE HORIZON, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2B and 14)	\$ 1,751,913	\$ 2,762,846
Grants receivable (Notes 2E, 2J and 3)	12,799,398	11,106,723
Contributions receivable, net (Notes 2D, 2E and 4)	1,313,607	1,898,630
Prepaid expenses and other assets	930,924	804,589
Investments (Notes 2F, 2G and 5)	10,858,400	10,679,534
Restricted cash - restitution payable (Notes 2B, 6 and 14)	13,067,770	17,478,126
Property and equipment, net (Notes 2I and 7)	2,911,282	2,597,902
Beneficial interest in perpetual trusts (Notes 2H and 11B)	647,205	574,887
TOTAL ASSETS	\$ 44,280,499	\$ 47,903,237
LIABILITIES		
Accounts payable and accrued expenses (Notes 2E and 2L)	\$ 7,479,833	\$ 6,775,902
Bank lines of credit (Note 8)	1,000,000	3,400,000
Due to grantor (Note 2J)	599,737	488,123
Restitution payable (Note 6)	13,067,770	17,478,126
TOTAL LIABILITIES	22,147,340	28,142,151
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2C and 11)		
Unrestricted	18,316,862	15,951,189
Temporarily restricted (Notes 11A and 11C)	2,888,584	2,954,502
Permanently restricted (Notes 11B and 11C)	927,713	855,395
TOTAL NET ASSETS	22,133,159	19,761,086
TOTAL LIABILITIES AND NET ASSETS	\$ 44,280,499	\$ 47,903,237

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

SAFE HORIZON, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013
SUPPORT AND REVENUE:								
Grants income	\$ 44,941,446	\$ -	\$ -	\$ 44,941,446	\$ 43,130,739	\$ -	\$ -	\$ 43,130,739
Contributions	799,178	3,569,516	-	4,368,694	1,005,569	2,856,926	-	3,862,495
In-kind contributions (Notes 2M and 9)	2,018,244	-	-	2,018,244	1,928,908	-	-	1,928,908
Special events (net of direct expenses of \$401,062 and \$315,384 in 2014 and 2013, respectively)	1,078,270	-	-	1,078,270	959,682	-	-	959,682
Investment income (Notes 2F and 5)	19,332	64,806	-	84,138	18,696	26,600	-	45,296
Fee income (Note 2K)	2,082,915	-	-	2,082,915	2,412,193	-	-	2,412,193
Gain on beneficial interest in perpetual trust (Note 2H)	-	-	72,318	72,318	-	-	20,268	20,268
Miscellaneous income	249,855	-	-	249,855	280,535	-	-	280,535
Net assets released from restrictions (Note 11A)	3,700,240	(3,700,240)	-	-	4,000,851	(4,000,851)	-	-
TOTAL SUPPORT AND REVENUE	54,889,480	(65,918)	72,318	54,895,880	53,737,173	(1,117,325)	20,268	52,640,116
EXPENSES: (Note 2N)								
Program Services:								
Domestic violence and hotline	22,304,693	-	-	22,304,693	22,595,798	-	-	22,595,798
Community and criminal justice	12,041,814	-	-	12,041,814	12,032,020	-	-	12,032,020
Child, adolescent and mental health treatment	9,165,449	-	-	9,165,449	9,503,657	-	-	9,503,657
	<u>43,511,956</u>	<u>-</u>	<u>-</u>	<u>43,511,956</u>	<u>44,131,475</u>	<u>-</u>	<u>-</u>	<u>44,131,475</u>
Supporting Services:								
Management and general	7,951,278	-	-	7,951,278	7,732,808	-	-	7,732,808
Fundraising	1,060,573	-	-	1,060,573	1,176,912	-	-	1,176,912
	<u>9,011,851</u>	<u>-</u>	<u>-</u>	<u>9,011,851</u>	<u>8,909,720</u>	<u>-</u>	<u>-</u>	<u>8,909,720</u>
TOTAL EXPENSES	52,523,807	-	-	52,523,807	53,041,195	-	-	53,041,195
CHANGE IN NET ASSETS	2,365,673	(65,918)	72,318	2,372,073	695,978	(1,117,325)	20,268	(401,079)
Net assets - Beginning of year	15,951,189	2,954,502	855,395	19,761,086	15,255,211	4,071,827	835,127	20,162,165
NET ASSETS - END OF YEAR	\$ 18,316,862	\$ 2,888,584	\$ 927,713	\$ 22,133,159	\$ 15,951,189	\$ 2,954,502	\$ 855,395	\$ 19,761,086

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

SAFE HORIZON, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(With Comparative Totals for 2013)

	For the Year Ended June 30, 2014								
	Program Services				Supporting Services				
	Domestic Violence and Hotline	Community and Criminal Justice	Child, Adolescent and Mental Health Treatment	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2014	Total 2013
Salaries	\$ 8,436,744	\$ 6,754,972	\$ 3,721,265	\$ 18,912,981	\$ 4,453,123	\$ 448,697	\$ 4,901,820	\$ 23,814,801	\$ 24,547,783
Payroll taxes and employee benefits (Note 10)	2,175,590	1,879,269	1,010,542	5,065,401	1,224,440	123,890	1,348,330	6,413,731	6,861,558
Total Salaries and Related Costs	10,612,334	8,634,241	4,731,807	23,978,382	5,677,563	572,587	6,250,150	30,228,532	31,409,341
Professional fees (Notes 2M and 9)	493,764	562,174	1,144,845	2,200,783	343,398	97,145	440,543	2,641,326	2,359,711
Client assistance	592,756	431,143	259,413	1,283,312	-	-	-	1,283,312	1,176,841
Contracted Domestic Violence Empoverment services	2,472,125	-	-	2,472,125	-	-	-	2,472,125	2,250,000
Subcontracted services to New York Peace Institute	-	596,091	-	596,091	-	-	-	596,091	703,834
Program materials and other publications	68,319	41,928	163,555	273,802	51,093	15,920	67,013	340,815	301,499
Staff development and meetings	33,126	65,864	104,580	203,570	102,247	4,855	107,102	310,672	295,360
Insurance	178,752	132,531	78,902	390,185	87,319	7,973	95,292	485,477	470,798
Occupancy (Notes 2L, 9, 12 and 13)	6,034,099	814,534	1,905,471	8,754,104	509,776	173,914	683,690	9,437,794	9,349,798
Furniture and equipment	101,737	64,525	34,962	201,224	41,403	6,085	47,488	248,712	185,972
Supplies, photocopying and delivery	73,036	59,561	47,927	180,524	83,963	58,559	142,522	323,046	324,223
Equipment rentals and maintenance	290,698	227,598	119,732	638,028	124,725	9,997	134,722	772,750	763,994
Public outreach	-	-	-	-	7,837	32,722	40,559	40,559	19,296
Telephone	340,634	214,313	121,394	676,341	78,585	8,100	86,685	763,026	842,242
Temporary help	508,979	75,089	-	584,068	151,099	24,216	175,315	759,383	525,570
Depreciation and amortization	437,268	57,203	354,755	849,226	440,555	3,643	444,198	1,293,424	1,583,253
Interest	38,993	-	-	38,993	7,311	2,396	9,707	48,700	81,033
Miscellaneous	28,073	65,019	98,106	191,198	244,404	42,461	286,865	478,063	398,430
Total OTPS	11,692,359	3,407,573	4,433,642	19,533,574	2,273,715	487,986	2,761,701	22,295,275	21,631,854
TOTAL EXPENSES	\$ 22,304,693	\$ 12,041,814	\$ 9,165,449	\$ 43,511,956	\$ 7,951,278	\$ 1,060,573	\$ 9,011,851	\$ 52,523,807	\$ 53,041,195

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

SAFE HORIZON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	For the Year Ended June 30, 2013							
	Program Services			Supporting Services				
	Domestic Violence and Hotline	Community and Criminal Justice	Child, Adolescent and Mental Health Treatment	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 8,739,323	\$ 6,840,022	\$ 3,897,090	\$ 19,476,435	\$ 4,495,120	\$ 576,228	\$ 5,071,348	\$ 24,547,783
Payroll taxes and employee benefits (Note 10)	<u>2,577,076</u>	<u>1,871,308</u>	<u>1,058,796</u>	<u>5,507,180</u>	<u>1,197,234</u>	<u>157,144</u>	<u>1,354,378</u>	<u>6,861,558</u>
Total Salaries and Related Costs	11,316,399	8,711,330	4,955,886	24,983,615	5,692,354	733,372	6,425,726	31,409,341
Professional fees (Notes 2M and 9)	385,020	610,000	1,070,583	2,065,603	278,112	15,996	294,108	2,359,711
Client assistance	635,705	273,558	267,578	1,176,841	-	-	-	1,176,841
Contracted Domestic Violence Empoverment services	2,250,000	-	-	2,250,000	-	-	-	2,250,000
Subcontracted services to New York Peace Institute	-	703,834	-	703,834	-	-	-	703,834
Program materials and other publications	58,962	46,053	133,983	238,998	35,874	26,627	62,501	301,499
Staff development and meetings	29,452	66,652	87,055	183,159	86,100	26,101	112,201	295,360
Insurance	171,057	125,379	78,573	375,009	82,350	13,439	95,789	470,798
Occupancy (Notes 2L, 9, 12 and 13)	6,065,034	747,229	1,908,583	8,720,846	455,016	173,936	628,952	9,349,798
Furniture and equipment	82,491	49,177	31,559	163,227	18,923	3,822	22,745	185,972
Supplies, photocopying and delivery	75,018	61,070	48,061	184,149	75,415	64,659	140,074	324,223
Equipment rentals and maintenance	366,722	205,885	116,706	689,313	61,639	13,042	74,681	763,994
Public outreach	-	-	-	-	-	19,296	19,296	19,296
Telephone	290,526	226,419	133,469	650,414	149,607	42,221	191,828	842,242
Temporary help	305,995	48,785	-	354,780	154,669	16,121	170,790	525,570
Depreciation and amortization	420,836	94,730	642,214	1,157,780	417,051	8,422	425,473	1,583,253
Interest	57,622	9,028	-	66,650	10,833	3,550	14,383	81,033
Miscellaneous	<u>84,959</u>	<u>52,891</u>	<u>29,407</u>	<u>167,257</u>	<u>214,865</u>	<u>16,308</u>	<u>231,173</u>	<u>398,430</u>
Total OTPS	<u>11,279,399</u>	<u>3,320,690</u>	<u>4,547,771</u>	<u>19,147,860</u>	<u>2,040,454</u>	<u>443,540</u>	<u>2,483,994</u>	<u>21,631,854</u>
TOTAL EXPENSES	<u>\$ 22,595,798</u>	<u>\$ 12,032,020</u>	<u>\$ 9,503,657</u>	<u>\$ 44,131,475</u>	<u>\$ 7,732,808</u>	<u>\$ 1,176,912</u>	<u>\$ 8,909,720</u>	<u>\$ 53,041,195</u>

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

SAFE HORIZON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,372,073	\$ (401,079)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,293,424	1,583,253
Amortization of pledge discount	-	(12,042)
Bad debt expense	39,324	-
Gain on beneficial interest in perpetual trusts	(72,318)	(20,268)
Realized gain on sale of investments	(9,417)	(7,895)
Unrealized gain on investments	(79,297)	(47,276)
	Subtotal	1,094,693
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(1,692,675)	474,057
Contributions receivable	545,699	967,864
Prepaid expenses and other assets	(126,335)	(1,684)
Restricted cash - restitution payable	4,410,356	(3,617,776)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	703,931	176,169
Due to grantor	111,614	(524,515)
Restitution payable	(4,410,356)	3,617,776
	Net Cash Provided by Operating Activities	2,186,584
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(40,955,369)	(40,782,557)
Proceeds from sale of investments	40,865,217	40,691,970
Purchase of property and equipment	(1,606,804)	(986,705)
	Net Cash Used in Investing Activities	(1,077,292)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments on borrowings from bank line of credit	(2,400,000)	-
	Net Cash Used in Financing Activities	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,010,933)	1,109,292
Cash and cash equivalents - Beginning of the year	2,762,846	1,653,554
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,751,913	\$ 2,762,846
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 48,700	\$ 81,033

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

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Safe Horizon, Inc. ("Safe Horizon") was organized under the not-for-profit corporation law of the State of New York and is qualified as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Safe Horizon's mission is to provide support, prevent violence, and promote justice for victims of crime and abuse, their families and communities. Safe Horizon receives support from city, state, and federal agencies, and contributions from corporations, foundations, and individuals. Substantially all services are performed in New York City.

Safe Horizon accomplishes their mission through the following major programs:

- **Domestic Violence and Hotline Programs** – Safe Horizon operates three 24-hour hotlines – the New York City Domestic Violence Hotline, the Crime Victims Hotline, and the Rape and Sexual Assault Hotline. For victims of violence and their families, a phone call to one of our hotlines serves as a gateway to a range of services, such as safety planning and Emergency Shelter linking for victims of domestic violence. Safe Horizon is New York City's largest domestic violence shelter provider, with 700 beds available throughout the five boroughs. Safe Horizon operates both emergency shelters for crisis situations and transitional shelters where women or men and their dependent children are transferred in order to continue services and plan for a future free from violence and abuse. The shelters offer safety and comprehensive services such as: case management, child care and support groups, housing assistance, practical assistance (such as food, clothing and metro-cards), and referrals to critical services (such as medical, mental health, schools, and job centers).
- **Community and Criminal Justice Programs** – Safe Horizon offers services to victims of crime and abuse, including victims of domestic violence, sexual assault, stalking, and families of homicide victims. Staff located at community programs, precincts and court programs, including the Family Justice Centers, provides services that include crisis intervention, support, assistance with understanding and navigating the criminal justice system, housing and public systems, and individual and group education about victimization and coping skills. Case management services include advocacy; court accompaniment; practical assistance including food, clothing, and assistance with accessing shelter; and support services through safety assessment and risk management planning and supportive counseling. Staff provides information and linkages to public entitlement programs and community-based organizations.
- **Child, Adolescent, and Mental Health Treatment Programs** – Safe Horizon has developed comprehensive programs for children and adolescents who have experienced crime, abuse and/or trauma, including specific programs for children who have been sexually or severely physically abused. Safe Horizon is the pioneer of the urban Child Advocacy Center model that co-locates a multi-disciplinary team of experts including professionals from the NYPD, District Attorney's Office, Administration for Children's Services, Medical Providers and Safe Horizon. The Child Advocacy Centers provide coordinated services that expedite the investigation and prosecution of child abuse cases while ensuring victims and impacted family members receive an immediate and effective array of support. Streetwork reaches youth through a harm-reduction model drop-in center and emergency shelter program for homeless youth. Serving clients from age 16 to 24, Streetwork provides individual and group counseling, case management, advocacy, emergency and transitional housing, assistance obtaining Medicaid and other benefits, hot meals, showers, clothing, HIV prevention counseling, and parenting groups, in a safe, non-judgmental setting. Streetwork also refers clients for legal, medical and psychiatric services.
- **Safe Horizon Counseling Center** – Safe Horizon operates the only New York State licensed out-patient mental health treatment clinic that specializes in providing services for adult and child victims of crime, abuse and/or trauma. The Counseling Center is the central hub within Safe Horizon for the provision of expert mental health and psychiatric treatment services. A range of evidence-based mental health treatments are provided.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Legal Services** – Safe Horizon’s Legal Services provide services citywide through advocacy and direct legal representation. The Domestic Violence Law Project provides services to victims of domestic violence in family court, integrated domestic violence courts, and supreme courts in family & divorce related matters. The Immigration Law Project provides legal representation to immigrant crime victims of all types, including domestic violence, crime and abuse, and torture. They also work with those victimized by violence abroad who are seeking safety in this country.

- **Safe Horizon’s Anti-Trafficking Program** – Safe Horizon is staffed with experts who can meet the special needs of adult and minors that are survivors of human trafficking. A range of services are provided including case management, legal services, shelter and housing referrals, counseling and support groups, life-skills, and vocational training. Safe Horizon also is a recognized national leader and provides national training and technical assistance on human trafficking.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. **Basis of Accounting** – Safe Horizon’s financial statements have been prepared on the accrual basis of accounting. Safe Horizon adheres to accounting principles generally accepted in the United States of America.
- B. **Cash Equivalents** – Safe Horizon considers all highly liquid investments with maturities of three months or less when acquired, to be cash equivalents, except for cash and money market funds contained in Safe Horizon’s investment portfolio.
- C. **Basis of Presentation** – Safe Horizon maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of Safe Horizon’s operations over which the Board of Directors has discretionary control.

 - Temporarily Restricted – represents assets resulting from contributions and other inflows of assets whose use by Safe Horizon is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Safe Horizon pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. In addition, contributions of unconditional promises to give with payments due in future periods are reported as temporarily restricted contributions unless the donor expressly stipulates, or circumstances surrounding the receipt of the promise make clear that the donor intended them to be used to support activities of the current period.

 - Permanently Restricted – represents those resources subject to donor imposed stipulations that they be maintained intact in perpetuity by Safe Horizon. The donors of these assets permit the use of all the income earned on related investments, and the net capital appreciation thereon, for restricted purposes.
- D. **Contributions Receivables** – Contributions receivables to give (pledges) are recorded as income when Safe Horizon is formally notified of the grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. ***Allowance for Uncollectible Receivables*** – Safe Horizon recorded an allowance for doubtful accounts for contributions receivable of \$50,000 and \$24,000 for June 30, 2014 and 2013, respectively. No allowance for doubtful accounts for grants receivable was recorded for June 30, 2014 and 2013. In addition, a reserve for future disallowances based on grantor audits of \$290,000 and \$75,000 is recorded in accounts payable for June 30, 2014 and 2013, respectively. Such estimates are based on management’s evaluation of the creditworthiness of its donors and grantors, the aged basis of its receivables from government sources, as well as current economic conditions and historical information. Receivables are carried at their estimated fair value.
- F. ***Investments*** – Investments are reported at fair value. Donated securities are recorded at their fair value on the date received using an average of the high and low price on the date received. Investment income is recorded as revenue in the unrestricted net asset class unless restricted by the donor and is included in the accompanying statements of activities.
- G. ***Fair Value Measurements*** – Fair value measurements are the prices 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.
- H. ***Split-Interest Agreements*** – Safe Horizon has been named as the beneficiary of two perpetual trusts. The investment principal remains part of the trusts and is not the property of Safe Horizon. Therefore, Safe Horizon has no right to the trust principal until after the death of the donor and other beneficiaries. Because Safe Horizon will receive a perpetual stream of income from the trusts, the projected contributions are classified as part of permanently restricted net assets at June 30, 2014 and 2013. Given the nature of the promises as well as the inability to compute the present value of the income stream, the beneficial interests have been recorded on the statements of financial position at the fair value of Safe Horizon’s proportionate share of the trusts. The fluctuation in the fair value of the trusts from year to year is included in the statements of activities as changes in permanently restricted net assets.
- I. ***Property and Equipment*** – Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Safe Horizon capitalizes all property and equipment having a cost of \$2,500 or more and a useful life of at least two years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.
- Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.
- J. ***Revenue from Government Sources*** – Principal support for the programs operated by Safe Horizon is derived from various Federal, New York State and New York City governmental sources. Safe Horizon recognizes revenue from these sources when the contractual obligations are met. Cost recovery occurs when the grants awarded provide for reimbursement of budgeted expenditures incurred within the grant period. The funds are received in either predetermined installments or in increments based on expenditures or milestones for the period. Upon termination, unexpended cash funds received and revertible equipment purchased are returnable to the grantor. Accordingly, grant income under these awards is recognized in amounts equal to budgeted expenditures incurred. Funds received under these grants are subject to audit.

Unreimbursed expenditures on programs funded under contractual agreements, when such expenditures are less than contract amounts but more than cash advances, are reflected as grants receivable. Cash advances in excess of unexpended funds are reflected as due to grantor.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. **Program Fees and Other Revenue** – Fee income is recognized and recorded at the time a service is performed. Such services include counseling, legal services, third-party medical reimbursements and client fees.

L. **Rent Expense and Deferred Rent** – Safe Horizon leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, Safe Horizon records an adjustment to rent expense each year to reflect its straight-line policy. During the years ended June 30, 2014 and 2013, Safe Horizon recorded adjustments to rent expense to reflect the difference between the rent paid and the average rent to be paid over the term of the leases which amounted to \$112,721 and 96,914, respectively, and recorded such amount as an increase in occupancy expense. Straight-lining of rent gives rise to a timing difference that is reflected as accounts payable and accrued expenses in the accompanying statements of financial position. The estimated annual amortization (accretion) for the five years following June 30, 2014 is as follows:

Year ending June 30:	Amount
2015	\$ 4,000
2016	(42,000)
2017	(81,000)
2018	(104,000)
2019	(110,000)

M. **Contributed Services, Rent and Other In-Kind** – Safe Horizon receives noncash contributions consisting primarily of contributed facilities and services (legal and public outreach services). The contributed facilities and services have been valued at the standard market rates that would have been incurred by Safe Horizon and are reported as both revenue and expense in the accompanying financial statements because they meet the criteria as prescribed by accounting principles generally accepted in the United States of America.

N. **Functional Allocation of Expenses** – The costs of providing various programs and other activities of Safe Horizon have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services.

O. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

P. **New Accounting Pronouncements**: – Effective for the fiscal year ended June 30, 2014, Safe Horizon was required to adopt the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2012-05, “Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (“ASU 2012-05).” In accordance with ASU 2012-05, Safe Horizon has classified proceeds from the sales of donated financial assets as operating activities in the statements of cash flows, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts are classified as cash flows from financing activities. The statement of cash flows for the year ended June 30, 2013 has been reclassified to conform to the provisions of ASU 2012-05.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable due under governmental contracts, grants and entitlements consisted of the following as of June 30, 2014 and 2013:

	2014	2013
New York City agencies	\$ 10,322,929	\$ 9,014,110
New York State agencies	1,607,947	1,404,684
Federal agencies	292,927	273,971
Other	575,595	413,958
	\$ 12,799,398	\$ 11,106,723

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Amount due in less than one year	\$ 895,656	\$ 1,195,623
Amount due from one to five years	<u>467,951</u>	<u>727,007</u>
	<u>1,363,607</u>	<u>1,922,630</u>
Less: Allowance for doubtful accounts	<u>(50,000)</u>	<u>(24,000)</u>
	<u>\$ 1,313,607</u>	<u>\$ 1,898,630</u>

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Investments:		
U.S. Government bonds and notes	\$ 2,572,974	\$ 2,519,924
U.S. Treasury bills	7,763,951	7,706,842
Money market funds	416,177	116,745
Mutual funds – short term growth	<u>105,298</u>	<u>336,023</u>
Total	<u>\$ 10,858,400</u>	<u>\$ 10,679,534</u>

In determining fair value, Safe Horizon utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Money market and mutual funds – Money market and mutual funds (the “funds”) are valued at their daily closing price as reported by the fund. These funds held by Safe Horizon are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held by Safe Horizon are deemed to be actively traded.

U.S. Government Securities – are valued at the closing price reported in the active market in which the individual securities are traded.

Safe Horizon’s policy is to recognize transfers in and transfers out between fair value levels as of the beginning of the period in which the transfer takes place. During the years ended June 30, 2014 and 2013, no such transfers between fair value levels occurred.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments are subject to market volatility that could substantially change their carrying values in the near term.

Investment income consisted of the following for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 70	\$ 81
Unrealized gain on investments	79,297	47,276
Realized gain on sale of investments	<u>9,417</u>	<u>7,895</u>
	88,784	55,252
Less: Investment management fees	<u>(4,646)</u>	<u>(9,956)</u>
Total	<u>\$ 84,138</u>	<u>\$ 45,296</u>

NOTE 6 – RESTRICTED CASH

Restricted cash represents funds that Safe Horizon maintains in its role as a restitution agent for New York City. In this role, Safe Horizon, acting as an agent for the city, collects funds from convicted defendants, who are ordered by court to pay restitution, and disburses those funds to the beneficiary identified by the court. Safe Horizon informs courts and the NYC Department of Probation of the status of defendant payments, including any delays or missed payments. When the defendant has paid in full, Safe Horizon closes the case. If the beneficiary cannot be located or has already been paid, fully or partially, by another source, Safe Horizon maintains the funds in the restricted account and uses those unclaimed funds to pay beneficiaries who have not received full payment. Restricted cash amounted to \$13,067,770 and \$17,478,126 for the years June 30, 2014 and 2013, respectively, and are reported as assets and liabilities in the accompanying statements of financial position.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 2,773,666	\$ 2,178,547	2-3 years
Furniture and fixtures	1,166,498	1,128,504	5 years
Leasehold improvements	5,357,630	5,277,387	5 years or the lesser of the lease term
Construction in progress	<u>893,448</u>	<u>-</u>	
Total cost	10,191,242	8,584,438	
Less: Accumulated depreciation and amortization	<u>(7,279,960)</u>	<u>(5,986,536)</u>	
Net book value	<u>\$ 2,911,282</u>	<u>\$ 2,597,902</u>	

Depreciation and amortization expense amounted to \$1,293,424 and \$1,583,253 for the years ended June 30, 2014 and 2013, respectively.

The construction in progress is related to construction of Bronx CAC which was approximately 31% completed as of June 30, 2014. The total estimated cost to complete the project amounts to approximately \$1,338,000 and the project is expected to be completed in fiscal year 2015.

During the year ended June 30, 2013, Safe Horizon wrote off approximately \$17,691,000 of fully depreciated fixed assets.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 8 – BANK LINES OF CREDIT

Safe Horizon has two lines of credit with a bank. The first is for \$8,000,000 with a floating interest rate equal to either the bank's prime rate or 30 day LIBOR rate plus 90 basis points subject to a minimum rate of 2.0% for June 30, 2014 and 2013 for the first \$6,000,000 and 30 day LIBOR rate plus 1% (or the bank's prime rate, at the borrower's discretion) for the amount exceeding \$6,000,000. This credit line will expire on May 1, 2017, and is secured by the fair value of Safe Horizon's investments. There were outstanding borrowings of \$1,000,000 and \$3,400,000 as of June 30, 2014 and 2013, respectively.

The second line of credit is an unsecured line for \$7,000,000, which expires on May 1, 2015. Borrowings bear interest at a floating rate equal to prime rate or 30, 60 or 90 day LIBOR rate plus 2%, subject to a minimum rate of 3.0% plus 200 basis points for June 30, 2014 and 2013. There were no outstanding borrowings on this second line as of June 30, 2014 and 2013.

Interest expense on borrowings amounted to \$48,701 and \$72,006 for the years ended June 30, 2014 and 2013, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

For the years ended June 30, 2014 and 2013, Safe Horizon received \$169,133 and \$82,797, respectively, in contributed legal services for the Domestic Violence Law Project, which provides representation to low-income and indigent victims of domestic violence in orders of protection, custody, support, and divorce proceedings and the Immigration Law Project. The Immigration Law Project which provides free and low-cost services to victims of crime, torture and abuse in immigration proceedings. In addition, a substantial number of volunteers have donated significant amounts of time in relation to Safe Horizon's program services and other activities. This contributed time does not meet the criteria for recognition and its value; therefore, is not reflected in the statements of activities.

Safe Horizon receives rent-free occupancy for two publicly-owned commercial properties located in New York, New York, and records an in-kind contribution and expense in acknowledgement of this arrangement. For the years ended June 30, 2014 and 2013 Safe Horizon recorded approximately \$1,849,000 and \$1,846,000, respectively, as in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses.

NOTE 10 – PENSION PLAN

Safe Horizon maintains a **defined contribution** 401(a) plan which covers all employees with at least one year of service and 1,000 hours of creditable time, who elect to participate in a **voluntary contribution** 403(b) plan. Contributions amounted to approximately \$483,000 and \$502,000 for the years ended June 30, 2014 and 2013, respectively.

NOTE 11 – NET ASSETS

A. Temporarily restricted net assets were available for the following purposes as of June 30, 2014 and 2013:

	2014	2013
Purpose restricted:		
Domestic violence programs	\$ 504,758	\$ 558,921
Streetwork and youth programs	1,584,559	1,117,613
Sexual assault and child advocacy programs	434,253	744,231
Other	365,014	533,737
	\$ 2,888,584	\$ 2,954,502

For the years ended June 30, 2014 and 2013, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 11 – NET ASSETS (Continued)

	2014	2013
Purpose restrictions accomplished:		
Domestic violence programs	\$ 1,077,281	\$ 583,257
Streetwork and youth programs	1,712,996	2,318,953
Sexual assault and child advocacy programs	672,870	890,790
Other	237,093	207,851
	\$ 3,700,240	\$ 4,000,851

- B.** Permanently restricted net assets consist of endowments, the income of which is temporarily restricted for certain program services. The principal balances cannot be used for any purpose without the prior consent of the donor or the advisory board of the donor.

Permanently restricted net assets also include Safe Horizon's share of two perpetual trusts (see Note 2H).

Permanently restricted net assets consist of the following as of June 30, 2014 and 2013:

	2014	2013
Endowment	\$ 280,508	\$ 280,508
Perpetual trusts	647,205	574,887
	\$ 927,713	\$ 855,395

- C.** The Board of Safe Horizon recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaces the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not, as unrestricted. All unappropriated earnings on donor-restricted endowment funds after September 17, 2010, that would otherwise be considered unrestricted by the donor, are reflected as temporarily restricted until appropriated.

The Board of Directors has interpreted NYPMIFA as allowing Safe Horizon to appropriate for expenditure or accumulate so much of an endowment fund as Safe Horizon determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

As a result of this interpretation, Safe Horizon has not changed the way permanently restricted net assets are classified. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. As of June 30, 2014, all earnings on endowment funds are considered appropriated by the Board through its budgetary approval process.

The policy for valuing Safe Horizon's investments is described in Note 2F. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires Safe Horizon to retain in perpetuity is to be reported in unrestricted net assets. The policy has charged the Investment Committee (the "Committee") with investment decision responsibility.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 11 – NET ASSETS (Continued)

Changes in endowment net assets consisted of the following for year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ (5,894)	\$ -	\$ 280,508	\$ 274,614
Investment activity:				
Unrealized gain on investments	-	64,806	-	64,806
Total investment activity	-	64,806	-	64,806
Transfers to cover negative return	64,806	(64,806)	-	-
Endowment net assets, end of year	<u>\$ 58,912</u>	<u>\$ -</u>	<u>\$ 280,508</u>	<u>\$ 339,420</u>

Changes in endowment net assets consisted of the following for year ended June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ (32,494)	\$ -	\$ 280,508	\$ 248,014
Investment activity:				
Unrealized loss on investments	-	26,600	-	26,600
Total investment activity	-	26,600	-	26,600
Transfers to cover negative return	26,600	(26,600)	-	-
Endowment net assets, end of year	<u>\$ (5,894)</u>	<u>\$ -</u>	<u>\$ 280,508</u>	<u>\$ 274,614</u>

Endowment net assets of \$339,420 and \$274,614 are included with investments on the statements of financial position for the years ended June 30, 2014 and 2013, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Safe Horizon to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets as of June 30, 2014 and 2013. These deficiencies resulted from unfavorable market fluctuations that occurred in the economy as a whole that affected the donor restricted endowment fund where the fair value of the donor restricted endowment fund was below the amount that is required to be retained permanently by \$0 and \$5,894 as of June 30, 2014 and 2013, respectively.

NOTE 12 – RELATED PARTY

Safe Horizon performs central management and administrative functions for the Houston Housing Development Fund Corporation (the "Corporation"), in the same manner as Safe Horizon provides services for its other projects.

Safe Horizon charged the Corporation a fixed annual management fee of \$48,000 for the fiscal years ended June 30, 2014 and 2013. In addition, Safe Horizon rents from the Corporation all its available units at a fixed price of \$48,000 per annum.

A Board member of Safe Horizon is also the President of a financial institution that provides Safe Horizon with two lines of credit and with operating support.

A Board member of Safe Horizon is also the officer of a telecommunication company that provides Safe Horizon telecommunication services.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 12 – RELATED PARTY (Continued)

Starting July 2011, the program that had been Safe Horizon’s Mediation Program became an independent non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code called the New York Peace Institute (“NYPI”). NYPI is structured as a membership organization with Safe Horizon as the sole member and is responsible for electing the board of directors. Such board members were elected in June 2011. NYPI board includes a Safe Horizon staff member to help safeguard the agency’s interests. Safe Horizon will subcontract with NYPI to provide mediation services according to the provisions of contracts between Safe Horizon and New York City and State under the terms of this subcontract. Safe Horizon will provide administrative support and technical assistance to NYPI in return for a fee of 10% of the contract amount and NYPI will perform the mediation services specified by the contracts. The contract between New York City and Safe Horizon was renewed through June 30, 2015, with a provision of assignment of that contract directly to NYPI as of July 1, 2014. As of the date of this report, the assignment is in the process of being finalized. The contract with New York State ended on March 31, 2014. At the end of the last government contract term, Safe Horizon will end its sub-contracting arrangement with NYPI, which will be able to submit an independent proposal to New York City to perform mediation services. As of June 30, 2012, Safe Horizon advanced \$175,000 to NYPI and the amount will be repaid through recoupment over the contract term. As of June 30, 2014, outstanding balance of advances to NYPI amounted to \$125,000 and is included in prepaid expenses and other assets in the accompanying statements of financial position.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A.** In most instances, grants are subject to audits by city, state and federal auditors, and costs charged to grantors may be adjusted as a result of an audit. Safe Horizon believes that no material provision is required for cost adjustments.

Safe Horizon is a party to various lawsuits or complaints generally arising in the ordinary course of business. Safe Horizon believes it has adequate insurance to cover any material damages and, accordingly, such litigation will not have a material adverse effect on its financial condition.

Safe Horizon is obligated under operating leases for the rental of premises and certain office equipment.

Leases have escalation clauses related to increases in rent and taxes. Future minimum lease payments are indicated below for each of the five years subsequent to June 30, 2014, and thereafter:

2015	\$	5,025,416
2016		4,748,709
2017		4,731,839
2018		4,676,724
2019		4,289,496
Thereafter		<u>11,632,931</u>
	\$	<u>35,105,115</u>

Rent expense for the years ended June 30, 2014 and 2013 amounted to \$5,836,540 and \$5,888,094, respectively, and is included in occupancy expenses in the accompanying financial statements.

- B.** Safe Horizon had no uncertain tax positions as of June 30, 2014 and 2013 in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Safe Horizon is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2011, and prior years.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE 14 – CONCENTRATIONS

Cash and cash equivalents that potentially subject Safe Horizon to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts were fully insured. Beginning in 2013, noninterest bearing accounts are insured the same as interest bearing accounts. As of June 30, 2014 and 2013, there was approximately \$16,125,000 and \$20,327,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 15 – SUBSEQUENT EVENTS

Safe Horizon has evaluated events subsequent to the date of the statements of financial position through December 17, 2014, the date the financial statements were available to be issued.