

SAFE HORIZON, INC.



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2016 and 2015

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, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 20, 2016

SAFE HORIZON, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Notes 2B and 14)	\$ 2,873,927	\$ 2,708,542
Grants receivable (Notes 2E, 2J and 3)	14,730,507	13,437,812
Contributions receivable, net (Notes 2D, 2E and 4)	1,864,692	1,399,895
Investments (Notes 2F, 2G and 5)	11,536,573	11,147,383
Prepaid expenses and other assets	885,237	1,033,055
Restricted cash - restitution payable (Notes 2B, 6 and 14)	12,207,155	12,992,714
Property and equipment, net (Notes 2I and 7)	3,760,516	3,976,126
Beneficial interest in perpetual trusts (Notes 2H and 11B)	601,012	621,283
TOTAL ASSETS	\$ 48,459,619	\$ 47,316,810
LIABILITIES		
Accounts payable and accrued expenses (Notes 2E and 2L)	\$ 7,606,629	\$ 7,435,434
Bank line of credit (Note 8)	-	1,000,000
Due to grantor (Note 2J)	2,274,896	1,490,355
Restitution payable (Note 6)	12,207,155	12,992,714
TOTAL LIABILITIES	22,088,680	22,918,503
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2C and 11)		
Unrestricted:		
Invested in property and equipment	3,760,516	3,976,126
Available for operations	19,170,581	17,401,137
Total Unrestricted	22,931,097	21,377,263
Temporarily restricted (Notes 11A and 11C)	2,781,910	2,295,791
Permanently restricted (Notes 11B and 11C)	657,932	725,253
TOTAL NET ASSETS	26,370,939	24,398,307
TOTAL LIABILITIES AND NET ASSETS	\$ 48,459,619	\$ 47,316,810

SAFE HORIZON, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015
SUPPORT AND REVENUE:								
Grants income	\$ 48,398,939	\$ -	\$ -	\$ 48,398,939	\$ 47,484,715	\$ -	\$ -	\$ 47,484,715
Contributions	1,459,946	4,025,570	-	5,485,516	1,405,721	2,733,919	-	4,139,640
In-kind contributions (Notes 2M and 9)	2,298,740	-	-	2,298,740	2,589,714	-	-	2,589,714
Special events (net of direct expenses of \$210,532 and \$239,091 in 2016 and 2015, respectively)	899,912	-	-	899,912	758,022	-	-	758,022
Investment income (Notes 2F and 5)	301,720	(13,439)	-	288,281	163,145	25,822	-	188,967
Fee income (Note 2K)	2,166,754	-	-	2,166,754	1,859,593	-	-	1,859,593
Loss on beneficial interest in perpetual trust (Note 2H)	-	-	(20,271)	(20,271)	-	-	(25,922)	(25,922)
Miscellaneous income	252,971	-	-	252,971	236,211	-	-	236,211
Net assets released from restrictions (Note 11A)	3,573,062	(3,526,012)	(47,050)	-	3,529,072	(3,352,534)	(176,538)	-
TOTAL SUPPORT AND REVENUE	59,352,044	486,119	(67,321)	59,770,842	58,026,193	(592,793)	(202,460)	57,230,940
EXPENSES: (Note 2N)								
Program Services:								
Domestic violence and hotline	23,622,412	-	-	23,622,412	23,112,355	-	-	23,112,355
Community and criminal justice	12,494,648	-	-	12,494,648	11,707,234	-	-	11,707,234
Child, adolescent and mental health treatment	11,268,431	-	-	11,268,431	10,629,146	-	-	10,629,146
	47,385,491	-	-	47,385,491	45,448,735	-	-	45,448,735
Supporting Services:								
Management and general	8,674,019	-	-	8,674,019	8,129,387	-	-	8,129,387
Fundraising	1,738,700	-	-	1,738,700	1,387,670	-	-	1,387,670
	10,412,719	-	-	10,412,719	9,517,057	-	-	9,517,057
TOTAL EXPENSES	57,798,210	-	-	57,798,210	54,965,792	-	-	54,965,792
CHANGE IN NET ASSETS	1,553,834	486,119	(67,321)	1,972,632	3,060,401	(592,793)	(202,460)	2,265,148
Net assets - Beginning of year	21,377,263	2,295,791	725,253	24,398,307	18,316,862	2,888,584	927,713	22,133,159
NET ASSETS - END OF YEAR	\$ 22,931,097	\$ 2,781,910	\$ 657,932	\$ 26,370,939	\$ 21,377,263	\$ 2,295,791	\$ 725,253	\$ 24,398,307

SAFE HORIZON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Comparative Totals for 2015)

	For the Year Ended June 30, 2016								
	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 2016	Total 2015
Salaries	\$ 8,885,020	\$ 7,732,427	\$ 4,492,809	\$ 21,110,256	\$ 4,786,763	\$ 824,800	\$ 5,611,563	\$ 26,721,819	\$ 24,979,511
Payroll taxes and employee benefits (Note 10)	1,284,857	2,146,183	1,274,611	4,705,651	1,687,330	236,703	1,924,033	6,629,684	6,326,623
Total Salaries and Related Costs	10,169,877	9,878,610	5,767,420	25,815,907	6,474,093	1,061,503	7,535,596	33,351,503	31,306,134
Professional fees (Notes 2M and 9)	543,042	359,839	1,188,601	2,091,482	274,884	70,790	345,674	2,437,156	2,782,830
Client assistance	524,447	135,733	302,736	962,916	-	-	-	962,916	1,163,766
Contracted Domestic violence Empowerment Services	4,280,000	-	-	4,280,000	-	-	-	4,280,000	3,600,000
Subcontracted services to New York Peace Institute	-	-	-	-	-	-	-	-	10,366
Program materials and other publications	53,629	43,333	150,539	247,501	-	-	-	247,501	245,500
Staff development and meetings	38,851	88,642	158,819	286,312	127,118	124,862	251,980	538,292	303,210
Insurance	181,116	157,087	92,169	430,372	98,065	17,363	115,428	545,800	494,999
Occupancy (Notes 2L, 9, 12 and 13)	5,988,851	976,958	2,697,724	9,663,533	432,990	172,200	605,190	10,268,723	9,904,768
Furniture and equipment	256,055	166,484	75,719	498,258	73,350	14,556	87,906	586,164	439,607
Supplies, photocopying and delivery	74,214	59,519	58,107	191,840	96,137	28,376	124,513	316,353	310,837
Equipment rentals and maintenance	293,656	244,658	93,950	632,264	156,983	25,607	182,590	814,854	855,830
Public outreach	44,455	250	-	44,705	12,633	122,133	134,766	179,471	409,244
Telephone	266,871	191,601	118,565	577,037	103,774	21,372	125,146	702,183	722,079
Temporary help	588,907	58,222	239	647,368	226,727	7,531	234,258	881,626	775,143
Depreciation and amortization	197,732	50,590	470,807	719,129	329,792	1,618	331,410	1,050,539	1,037,432
Interest	8,133	-	-	8,133	1,525	507	2,032	10,165	8,635
Miscellaneous	112,576	83,122	93,036	288,734	265,948	70,282	336,230	624,964	595,412
Total OTPS	13,452,535	2,616,038	5,501,011	21,569,584	2,199,926	677,197	2,877,123	24,446,707	23,659,658
TOTAL EXPENSES	<u>\$ 23,622,412</u>	<u>\$ 12,494,648</u>	<u>\$ 11,268,431</u>	<u>\$ 47,385,491</u>	<u>\$ 8,674,019</u>	<u>\$ 1,738,700</u>	<u>\$ 10,412,719</u>	<u>\$ 57,798,210</u>	<u>\$ 54,965,792</u>

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

SAFE HORIZON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	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	\$ 8,392,138	\$ 7,144,373	\$ 4,346,484	\$ 19,882,995	\$ 4,364,450	\$ 732,066	\$ 5,096,516	\$ 24,979,511
Payroll taxes and employee benefits (Note 10)	1,512,548	1,990,372	1,218,143	4,721,063	1,400,445	205,115	1,605,560	6,326,623
Total Salaries and Related Costs	9,904,686	9,134,745	5,564,627	24,604,058	5,764,895	937,181	6,702,076	31,306,134
Professional fees (Notes 2M and 9)	719,102	292,352	1,232,823	2,244,277	509,102	29,451	538,553	2,782,830
Client assistance	554,212	306,979	302,575	1,163,766	-	-	-	1,163,766
Contracted Domestic violence Empowerment Services	3,600,000	-	-	3,600,000	-	-	-	3,600,000
Subcontracted services to New York Peace Institute	-	-	-	-	-	10,366	10,366	10,366
Program materials and other publications	69,208	30,207	146,085	245,500	-	-	-	245,500
Staff development and meetings	34,921	63,116	131,236	229,273	61,549	12,388	73,937	303,210
Insurance	154,729	158,114	83,026	395,869	84,625	14,505	99,130	494,999
Occupancy (Notes 2L, 9, 12 and 13)	6,048,677	894,780	2,415,791	9,359,248	500,799	44,721	545,520	9,904,768
Furniture and equipment	172,275	114,249	103,342	389,866	41,567	8,174	49,741	439,607
Supplies, photocopying and delivery	54,309	61,886	61,785	177,980	66,048	66,809	132,857	310,837
Equipment rentals and maintenance	320,281	241,114	133,751	695,146	139,218	21,466	160,684	855,830
Public outreach	253,921	-	-	253,921	22,889	132,434	155,323	409,244
Telephone	248,461	213,927	122,054	584,442	117,498	20,139	137,637	722,079
Temporary help	530,371	52,893	147	583,411	169,170	22,562	191,732	775,143
Depreciation and amortization	328,591	49,568	263,161	641,320	394,301	1,811	396,112	1,037,432
Interest	6,908	-	-	6,908	1,295	432	1,727	8,635
Miscellaneous	111,703	93,304	68,743	273,750	256,431	65,231	321,662	595,412
Total OTPS	13,207,669	2,572,489	5,064,519	20,844,677	2,364,492	450,489	2,814,981	23,659,658
TOTAL EXPENSES	\$ 23,112,355	\$ 11,707,234	\$ 10,629,146	\$ 45,448,735	\$ 8,129,387	\$ 1,387,670	\$ 9,517,057	\$ 54,965,792

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

SAFE HORIZON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,972,632	\$ 2,265,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,050,539	1,037,432
Bad debt expense	35,950	39,149
Loss on beneficial interest in perpetual trusts	20,271	25,922
Realized loss on sale of investments	808	1,972
Unrealized gain on investments	<u>(87,386)</u>	<u>(61,320)</u>
Subtotal	2,992,814	3,308,303
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(1,292,695)	(638,414)
Contributions receivable	(500,747)	(125,437)
Prepaid expenses and other assets	147,818	(102,131)
Restricted cash - restitution payable	785,559	75,056
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	171,195	(44,399)
Due to grantor	784,541	890,618
Restitution payable	<u>(785,559)</u>	<u>(75,056)</u>
Net Cash Provided by Operating Activities	<u>2,302,926</u>	<u>3,288,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,606,136)	(3,981,768)
Proceeds from sale of investments	4,303,524	3,752,133
Purchase of property and equipment	<u>(834,929)</u>	<u>(2,102,276)</u>
Net Cash Used in Investing Activities	<u>(1,137,541)</u>	<u>(2,331,911)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on borrowings from bank line of credit	-	1,000,000
Repayments on borrowings from bank line of credit	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net Cash Used in Financing Activities	<u>(1,000,000)</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	165,385	956,629
Cash and cash equivalents - Beginning of the year	<u>2,708,542</u>	<u>1,751,913</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,873,927</u>	<u>\$ 2,708,542</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 10,167</u>	<u>\$ 8,635</u>

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

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

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 710 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). Safe Horizon's legal services programs provide legal advice and representation citywide. The Domestic Violence Law Project provides legal advice and representation in family courts, integrated domestic violence courts, and supreme courts on a wide range of family law matters to indigent victims of domestic violence. The Immigration Law Project provides legal advice and representation to undocumented victims of domestic violence, assault, and other crimes. The program also works with those victimized by violence abroad seeking safety in this country.
- **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, provide 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 ("CAC") 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, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

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.

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 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 (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-adjusted 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.
- E. ***Allowance for Uncollectible Receivables*** – Safe Horizon recorded an allowance for doubtful accounts for contributions receivable of \$50,000 as of June 30, 2016 and 2015. No allowance for doubtful accounts for grants receivable was recorded for June 30, 2016 and 2015. In addition, a reserve for future disallowances based on grantor audits of \$290,000 is recorded in accounts payable and accrued expenses for June 30, 2016 and 2015. 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.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. 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, 2016 and 2015. 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 more than 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.

- 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, 2016 and 2015, 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 \$42,638 and \$47,741, 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.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable due under governmental contracts, grants and entitlements consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
New York City agencies	\$ 12,436,219	\$ 11,305,916
New York State agencies	1,781,728	1,367,364
Federal agencies	108,584	156,507
Other	<u>403,976</u>	<u>608,025</u>
	<u>\$ 14,730,507</u>	<u>\$ 13,437,812</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amount due in less than one year	\$ 1,054,692	\$ 996,245
Amount due from one to five years	<u>860,000</u>	<u>453,650</u>
	<u>1,914,692</u>	<u>1,449,895</u>
Less: Allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 1,864,962</u>	<u>\$ 1,399,895</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.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investments:		
U.S. Government bonds and notes	\$ 4,726,193	\$ 4,841,392
U.S. Treasury bills	3,474,434	2,955,872
Money market funds	3,033,147	2,922,196
Mutual funds – short term growth	<u>302,800</u>	<u>427,923</u>
Total	<u>\$ 11,536,573</u>	<u>\$ 11,147,383</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, 2016 and 2015, no such transfers between fair value levels occurred.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 234,000	\$ 194,085
Unrealized gain on investments	86,822	61,320
Realized loss on sale of investments	<u>(23,675)</u>	<u>(1,972)</u>
	297,147	253,433
Less: Investment management fees	<u>(8,866)</u>	<u>(64,466)</u>
Net investment income	<u>\$ 288,281</u>	<u>\$ 188,967</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 \$12,207,155 and \$12,992,714 for the years June 30, 2016 and 2015, respectively, and reported as an asset and liability in the accompanying statements of financial position.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 3,870,302	\$ 3,373,282	2-3 years
Furniture and fixtures	1,430,726	1,430,726	5 years
Leasehold improvements	<u>7,827,419</u>	<u>7,489,510</u>	5 years or lease term
Total cost	13,128,447	12,293,518	
Less: Accumulated depreciation and amortization	<u>(9,367,931)</u>	<u>(8,317,392)</u>	
Net book value	<u>\$ 3,760,516</u>	<u>\$ 3,976,126</u>	

Depreciation and amortization expense amounted to \$1,050,539 and \$1,037,432 for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015 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, 2018, and is secured by the fair value of Safe Horizon's investments. There were outstanding borrowings of \$0 and \$1,000,000 as of June 30, 2016 and 2015.

The second line of credit is an unsecured line for \$7,000,000, which expires on May 1, 2017. 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, 2016 and 2015. There were no outstanding borrowings on this second line as of June 30, 2016 and 2015.

Interest expense on borrowings amounted to \$10,167 and \$48,700 for the years ended June 30, 2016 and 2015, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

For the years ended June 30, 2016 and 2015, Safe Horizon received \$334,293 and \$489,681, respectively, in contributed legal services that supported the work of the General Counsel's Office of Safe Horizon. 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 each of the years ended June 30, 2016 and 2015 Safe Horizon recorded approximately \$1,840,000, as an in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses.

Safe Horizon expenses public outreach costs as incurred. For the years ended June 30, 2016 and 2015, Safe Horizon recorded \$44,455 and \$253,921 respectively, as an in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses. The in-kind contributions are related to the Public Awareness Campaign – Put the Nail in It.

Safe Horizon expenses consultant costs as incurred. For the years ended June 30, 2016 and 2015, Safe Horizon recorded \$80,000 and \$0 respectively, as an in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses. The in-kind contributions are related to providing financial analysis and sustainable business models for the Training Center.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

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 \$533,000 and \$525,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 – NET ASSETS

A. Temporarily restricted net assets were available for the following purposes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Purpose restricted:		
Domestic violence programs	\$ 284,034	\$ 448,757
Streetwork and youth programs	971,855	1,216,084
Sexual assault and child advocacy programs	1,123,377	106,654
Other	<u>402,684</u>	<u>524,296</u>
	<u>\$ 2,781,910</u>	<u>\$ 2,295,791</u>

For the years ended June 30, 2016 and 2015, 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:

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Domestic violence programs	\$ 984,830	\$ 756,333
Streetwork and youth programs	1,956,943	2,002,335
Sexual assault and child advocacy programs	476,561	518,368
Other	<u>107,678</u>	<u>75,498</u>
	<u>\$ 3,526,012</u>	<u>\$ 3,352,534</u>

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Permanently restricted	\$ 56,920	\$ 103,970
Perpetual trusts	<u>601,012</u>	<u>621,283</u>
	<u>\$ 657,932</u>	<u>\$ 725,253</u>

During the year ended June 30, 2016, Safe Horizon contacted one of the donors in order to get permission to modify a restriction for a gift. Such permission was granted and \$47,050 was reclassified from permanently restricted net assets to temporarily restricted net assets. During the year ended June 30, 2015, Safe Horizon contacted one of the donors in order to get permission to modify a restriction for a gift. Such permission was granted and \$176,538 was reclassified from permanently restricted net assets to temporarily restricted net assets.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 11 – NET ASSETS (Continued)

C. The Board of Safe Horizon recognizes that New York State adopted 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, 2016, 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.

Changes in endowment net assets consisted of the following for year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 84,734	\$ -	\$ 103,970	\$ 188,704
Investment activity:				
Unrealized loss on investments	-	(13,539)	-	(13,539)
Total investment activity	-	(13,539)	-	(13,539)
Net asset reclassification based on modification of donor requirements	-	-	(47,050)	(47,050)
Endowment net assets after reclassification	84,734	(13,539)	56,920	128,115
Transfers to cover negative return	(13,539)	13,539	-	-
Endowment net assets, end of year	<u>\$ 71,195</u>	<u>\$ -</u>	<u>\$ 56,920</u>	<u>\$ 128,115</u>

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

NOTE 11- NET ASSETS (Continued)

Changes in endowment net assets consisted of the following for year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 58,912	\$ -	\$ 280,508	\$ 339,420
Investment activity:				
Unrealized gain on investments	-	25,822	-	25,822
Total investment activity	-	25,822	-	25,822
Net asset reclassification based on modification of donor requirements	-	-	(176,538)	(176,538)
Endowment net assets after reclassification	58,912	25,822	103,970	188,704
Transfers to cover negative return	25,822	(25,822)	-	-
Endowment net assets, end of year	\$ 84,734	\$ -	\$ 103,970	\$ 188,704

Endowment net assets of \$128,115 and \$188,704 are included with investments on the statements of financial position for the years ended June 30, 2016 and 2015, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

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, 2016 and 2015. 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 telecommunications company that provides Safe Horizon telecommunication services.

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 was 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 included a Safe Horizon staff member to help safeguard the agency's interests. Safe Horizon subcontracted 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 provided administrative support and technical assistance to NYPI in return for a fee of 10% of the contract amount and NYPI performed the mediation services specified by the contracts. As of June 30, 2015, Safe Horizon ended its sub-contracting arrangement with NYPI. The Board of Directors of Safe Horizon voted for Safe Horizon to withdraw as sole member of NYPI effective November 30, 2015. 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, 2016, the outstanding balance of advances to NYPI amounted to \$75,000 and is included in prepaid expenses and other assets in the accompanying statements of financial position.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED June 30, 2016 and 2015

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, 2016, and thereafter:

2017	\$	5,970,354
2018		5,249,351
2019		4,823,859
2020		3,548,194
2021		2,507,096
Thereafter		<u>5,661,630</u>
	\$	<u>27,760,564</u>

Rent expense for the years ended June 30, 2016 and 2015 amounted to \$6,311,939 and \$5,983,883, respectively, and is included in occupancy expenses in the accompanying financial statements.

- B. Safe Horizon believes it had no uncertain tax positions as of June 30, 2016 and 2015 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.

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. As of June 30, 2016 and 2015, there was approximately \$16,765,000 and \$17,163,000, 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 20, 2016, the date the financial statements were available to be issued.