

SAFE HORIZON, INC.



Financial Statements (Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

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, 2017 AND 2016

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	7-16

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, 2017 and 2016, 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, 2017 and 2016, 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 18, 2017

SAFE HORIZON, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2B and 14)	\$ 3,709,333	\$ 2,313,542
Grants receivable (Notes 2E, 2J and 3)	15,739,257	14,730,507
Contributions receivable, net (Notes 2D, 2E and 4)	1,394,302	1,864,692
Investments (Notes 2F, 2G and 5)	12,024,601	11,536,573
Prepaid expenses and other assets	953,747	885,237
Restricted cash - Domestic Violence Empowerment Program ("DoVE") (Notes 2B and 14)	5,912,060	560,385
Restricted cash - restitution payable (Notes 2B, 6 and 14)	8,146,634	12,207,155
Property and equipment, net (Notes 2I and 7)	4,111,408	3,760,516
Beneficial interest in perpetual trusts (Notes 2H and 11B)	655,276	601,012
TOTAL ASSETS	\$ 52,646,618	\$ 48,459,619
LIABILITIES		
Accounts payable and accrued expenses (Notes 2E and 2L)	\$ 6,216,754	\$ 7,046,244
Accounts payable and accrued expenses - DoVE (Notes 2E and 2L)	5,912,060	560,385
Bank line of credit (Note 8)	3,000,000	-
Due to grantor (Note 2J)	1,100,743	2,274,896
Restitution payable (Note 6)	8,146,634	12,207,155
TOTAL LIABILITIES	24,376,191	22,088,680
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2C and 11)		
Unrestricted	25,566,043	22,931,097
Temporarily restricted (Notes 11A and 11C)	1,992,188	2,781,910
Permanently restricted (Notes 11B and 11C)	712,196	657,932
TOTAL NET ASSETS	28,270,427	26,370,939
TOTAL LIABILITIES AND NET ASSETS	\$ 52,646,618	\$ 48,459,619

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

SAFE HORIZON, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
SUPPORT AND REVENUE:								
Grants income	\$ 56,700,460	\$ -	\$ -	\$ 56,700,460	\$ 48,398,939	\$ -	\$ -	\$ 48,398,939
Contributions	1,681,007	2,495,565	-	4,176,572	1,459,946	4,025,570	-	5,485,516
In-kind contributions (Notes 2M and 9)	4,002,145	-	-	4,002,145	2,298,740	-	-	2,298,740
Special events (net of direct expenses of \$217,805 and \$210,532 in 2017 and 2016, respectively)	1,226,661	-	-	1,226,661	899,912	-	-	899,912
Investment income (Notes 2F and 5)	488,700	-	-	488,700	301,720	(13,439)	-	288,281
Fee income (Note 2K)	2,060,308	-	-	2,060,308	2,166,754	-	-	2,166,754
Gain (loss) on beneficial interest in perpetual trust (Note 2H)	-	-	54,264	54,264	-	-	(20,271)	(20,271)
Miscellaneous income	343,888	-	-	343,888	252,971	-	-	252,971
Net assets released from restrictions (Note 11A)	3,285,287	(3,285,287)	-	-	3,573,062	(3,526,012)	(47,050)	-
TOTAL SUPPORT AND REVENUE	69,788,456	(789,722)	54,264	69,052,998	59,352,044	486,119	(67,321)	59,770,842
EXPENSES: (Note 2N)								
Program Services:								
Domestic violence and hotline	27,977,289	-	-	27,977,289	23,622,412	-	-	23,622,412
Community and criminal justice	17,213,406	-	-	17,213,406	12,494,648	-	-	12,494,648
Child, adolescent and mental health treatment	11,294,342	-	-	11,294,342	11,268,431	-	-	11,268,431
	<u>56,485,037</u>	<u>-</u>	<u>-</u>	<u>56,485,037</u>	<u>47,385,491</u>	<u>-</u>	<u>-</u>	<u>47,385,491</u>
Supporting Services:								
Management and general	8,742,252	-	-	8,742,252	8,674,019	-	-	8,674,019
Fundraising	1,926,221	-	-	1,926,221	1,738,700	-	-	1,738,700
	<u>10,668,473</u>	<u>-</u>	<u>-</u>	<u>10,668,473</u>	<u>10,412,719</u>	<u>-</u>	<u>-</u>	<u>10,412,719</u>
TOTAL EXPENSES	67,153,510	-	-	67,153,510	57,798,210	-	-	57,798,210
CHANGE IN NET ASSETS	2,634,946	(789,722)	54,264	1,899,488	1,553,834	486,119	(67,321)	1,972,632
Net assets - Beginning of year	22,931,097	2,781,910	657,932	26,370,939	21,377,263	2,295,791	725,253	24,398,307
NET ASSETS - END OF YEAR	\$ 25,566,043	\$ 1,992,188	\$ 712,196	\$ 28,270,427	\$ 22,931,097	\$ 2,781,910	\$ 657,932	\$ 26,370,939

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

SAFE HORIZON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	For the Year Ended June 30, 2017								
	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 2017	Total 2016
Salaries	\$ 9,563,385	\$ 10,919,517	\$ 4,721,429	\$ 25,204,331	\$ 4,976,887	\$ 881,158	\$ 5,858,045	\$ 31,062,376	\$ 26,721,819
Payroll taxes and employee benefits (Note 10)	2,053,250	2,646,734	1,073,600	5,773,584	1,502,466	211,987	1,714,453	7,488,037	6,629,684
Total Salaries and Related Costs	11,616,635	13,566,251	5,795,029	30,977,915	6,479,353	1,093,145	7,572,498	38,550,413	33,351,503
Professional fees (Notes 2M and 9)	980,001	743,865	1,087,388	2,811,254	388,460	162,647	551,107	3,362,361	2,437,156
Client assistance	569,843	160,068	362,053	1,091,964	-	-	-	1,091,964	962,916
Contracted Domestic violence Empowerment Services	5,607,898	-	-	5,607,898	-	-	-	5,607,898	4,280,000
Program materials and other publications	81,181	110,468	167,579	359,228	-	-	-	359,228	247,501
Staff development and meetings	55,302	107,609	156,716	319,627	130,868	209,571	340,439	660,066	538,292
Insurance	179,810	206,992	92,223	479,025	89,687	17,348	107,035	586,060	545,800
Occupancy (Notes 2L, 9, 12 and 13)	6,348,941	1,099,867	2,722,090	10,170,898	467,850	201,600	669,450	10,840,348	10,268,723
Furniture and equipment	179,750	194,314	42,973	417,037	25,937	1,434	27,371	444,408	586,164
Supplies, photocopying and delivery	70,025	114,212	46,362	230,599	82,054	28,044	110,098	340,697	316,353
Equipment rentals and maintenance	447,672	370,528	155,874	974,074	143,097	29,950	173,047	1,147,121	814,854
Public outreach	693,775	2,231	-	696,006	20,618	80,197	100,815	796,821	179,471
Telephone	254,778	266,765	114,272	635,815	118,700	21,257	139,957	775,772	702,183
Temporary help	554,740	62,159	1,187	618,086	329,589	6,805	336,394	954,480	881,626
Depreciation and amortization	195,326	95,650	494,346	785,322	251,651	873	252,524	1,037,846	1,050,539
Interest	21,644	-	-	21,644	4,058	1,353	5,411	27,055	10,165
Miscellaneous	119,968	112,427	56,250	288,645	210,330	71,997	282,327	570,972	624,964
Total OTPS	16,360,654	3,647,155	5,499,313	25,507,122	2,262,899	833,076	3,095,975	28,603,097	24,446,707
TOTAL EXPENSES	\$ 27,977,289	\$ 17,213,406	\$ 11,294,342	\$ 56,485,037	\$ 8,742,252	\$ 1,926,221	\$ 10,668,473	\$ 67,153,510	\$ 57,798,210

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

SAFE HORIZON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
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
Salaries	\$ 8,885,020	\$ 7,732,427	\$ 4,492,809	\$ 21,110,256	\$ 4,786,763	\$ 824,800	\$ 5,611,563	\$ 26,721,819
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
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
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
Client assistance	524,447	135,733	302,736	962,916	-	-	-	962,916
Contracted Domestic violence Empowerment Services	4,280,000	-	-	4,280,000	-	-	-	4,280,000
Program materials and other publications	53,629	43,333	150,539	247,501	-	-	-	247,501
Staff development and meetings	38,851	88,642	158,819	286,312	127,118	124,862	251,980	538,292
Insurance	181,116	157,087	92,169	430,372	98,065	17,363	115,428	545,800
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
Furniture and equipment	256,055	166,484	75,719	498,258	73,350	14,556	87,906	586,164
Supplies, photocopying and delivery	74,214	59,519	58,107	191,840	96,137	28,376	124,513	316,353
Equipment rentals and maintenance	293,656	244,658	93,950	632,264	156,983	25,607	182,590	814,854
Public outreach	44,455	250	-	44,705	12,633	122,133	134,766	179,471
Telephone	266,871	191,601	118,565	577,037	103,774	21,372	125,146	702,183
Temporary help	588,907	58,222	239	647,368	226,727	7,531	234,258	881,626
Depreciation and amortization	197,732	50,590	470,807	719,129	329,792	1,618	331,410	1,050,539
Interest	8,133	-	-	8,133	1,525	507	2,032	10,165
Miscellaneous	112,576	83,122	93,036	288,734	265,948	70,282	336,230	624,964
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
TOTAL EXPENSES	\$ 23,622,412	\$ 12,494,648	\$ 11,268,431	\$ 47,385,491	\$ 8,674,019	\$ 1,738,700	\$ 10,412,719	\$ 57,798,210

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

SAFE HORIZON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,899,488	\$ 1,972,632
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,037,846	1,050,539
Bad debt expense	42,300	35,950
(Gain)/loss on beneficial interest in perpetual trust	(54,264)	20,271
Realized (gain)/loss on sale of investments	(765)	808
Unrealized gain on investments	(277,296)	(87,386)
Subtotal	2,647,309	2,992,814
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(1,008,750)	(1,292,695)
Contributions receivable	428,090	(500,747)
Prepaid expenses and other assets	(68,510)	147,818
Restricted cash - DoVE	(5,351,675)	(161,950)
Restricted cash - restitution payable	4,060,521	785,559
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(829,490)	171,195
Accounts payable and accrued expenses - DoVE	5,351,675	161,950
Due to grantor	(1,174,153)	784,541
Restitution payable	(4,060,521)	(785,559)
Net Cash (Used) Provided by Operating Activities	(5,504)	2,302,926
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,134,195)	(4,606,136)
Proceeds from sale of investments	3,924,228	4,303,524
Purchase of property and equipment	(1,388,738)	(834,929)
Net Cash Used in Investing Activities	(1,598,705)	(1,137,541)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on borrowings from bank line of credit	3,000,000	-
Repayments on borrowings from bank line of credit	-	(1,000,000)
Net Cash Provided (Used) in Financing Activities	3,000,000	(1,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,395,791	165,385
Cash and cash equivalents - Beginning of the year	2,313,542	2,148,157
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,709,333	\$ 2,313,542
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 27,056	\$ 10,167

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

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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 and most comprehensive 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, 2017 AND 2016

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, 2017 and 2016. No allowance for doubtful accounts for grants receivable was recorded for June 30, 2017 and 2016. 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, 2017 and 2016. 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, 2017 AND 2016

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, 2017 and 2016. 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, 2017 and 2016, 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 \$10,729 and \$42,638, 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, 2017 AND 2016

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.
- P. **Reclassification** – Certain line items in the June 30, 2016 financial statements have been reclassified to conform to the June 30, 2017 presentation.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable due under governmental contracts, grants and entitlements consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
New York City agencies	\$ 13,612,563	\$ 12,436,219
New York State agencies	1,665,547	1,781,728
Federal agencies	207,022	108,584
Other	<u>254,125</u>	<u>403,976</u>
	<u>\$ 15,739,257</u>	<u>\$ 14,730,507</u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amount due in less than one year	\$ 1,276,802	\$ 1,054,692
Amount due from one to five years	<u>167,500</u>	<u>860,000</u>
	<u>1,444,302</u>	<u>1,914,692</u>
Less: Allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 1,394,302</u>	<u>\$ 1,864,692</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.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

- 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments:		
U.S. Government Securities	\$ 8,395,281	\$ 8,200,626
Money market funds	3,517,514	3,033,147
Mutual funds – short term growth	<u>111,806</u>	<u>302,800</u>
Total	<u>\$ 12,024,601</u>	<u>\$ 11,536,573</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.

Mutual funds-short term growth – 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.

Money market funds – are valued at the net asset value (“NAV”) at a constant \$1.00 per share, of which, only the yield goes up and down.

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, 2017 and 2016, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 210,639	\$ 201,703
Unrealized gain on investments	277,296	87,386
Realized gain (loss) on sale of investments	<u>765</u>	<u>(808)</u>
Net investment income	<u>\$ 488,700</u>	<u>\$ 288,281</u>

NOTE 6 – RESTRICTED CASH - RESTITUTION

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 \$8,146,634 and \$12,207,155 for the years June 30, 2017 and 2016, 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, 2017 AND 2016

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 4,297,920	\$ 3,870,302	2-3 years
Furniture and fixtures	1,504,425	1,430,726	5 years
Leasehold improvements	<u>8,714,840</u>	<u>7,827,419</u>	5 years or lease term
Total cost	14,517,185	13,128,447	
Less: Accumulated depreciation and amortization	<u>(10,405,777)</u>	<u>(9,367,931)</u>	
Net book value	<u>\$ 4,111,408</u>	<u>\$ 3,760,516</u>	

Depreciation and amortization expense amounted to \$1,037,846 and \$1,050,539 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 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 Safe Horizon's investments. There were outstanding borrowings of \$3,000,000 and \$0 as of June 30, 2017 and 2016.

The second line of credit is an unsecured line for \$7,000,000, which expired on May 1, 2017, and was renewed until May 2018. 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, 2017 and 2016. There were no outstanding borrowings on this second line as of June 30, 2017 and 2016.

Interest expense on borrowings amounted to \$27,056 and \$10,166 for the years ended June 30, 2017 and 2016, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS

For the years ended June 30, 2017 and 2016, Safe Horizon received \$116,221 and \$334,293, 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 the years ended June 30, 2017 and 2016, Safe Horizon recorded approximately \$2,320,000 and \$1,840,000, respectively, as an in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses. Basis of valuation is similar commercial and residential properties in Manhattan.

Safe Horizon expenses public outreach costs as incurred. For the years ended June 30, 2017 and 2016, Safe Horizon recorded \$693,775 and \$44,455, 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, 2017 and 2016, Safe Horizon recorded \$837,148 and \$80,000, 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, 2017 AND 2016

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 \$572,000 and \$533,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE 11 – NET ASSETS

A. Temporarily restricted net assets were available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
Domestic violence programs	\$ 312,975	\$ 336,633
Streetwork and youth programs	707,439	948,905
Sexual assault and child advocacy programs	490,769	1,087,842
Other	<u>481,005</u>	<u>408,530</u>
	<u>\$ 1,992,188</u>	<u>\$ 2,781,910</u>

For the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Domestic violence programs	\$ 799,885	\$ 984,830
Streetwork and youth programs	1,679,402	1,956,943
Sexual assault and child advocacy programs	728,476	476,561
Other	<u>77,524</u>	<u>107,678</u>
	<u>\$ 3,285,287</u>	<u>\$ 3,526,012</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. In addition, 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Permanently restricted	\$ 56,920	\$ 56,920
Perpetual trusts	<u>655,276</u>	<u>601,012</u>
	<u>\$ 712,196</u>	<u>\$ 657,932</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.

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"). 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.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 11 – NET ASSETS (Continued)

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, 2017, 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ 71,195	\$ -	\$ 56,920	\$ 128,115
Investment activity:				
Investment earnings	-	2,313	-	2,313
Total investment activity	-	2,313	-	2,313
Amount appropriated for expenditure	2,313	(2,313)	-	-
Endowment net assets, end of year	<u>\$ 73,508</u>	<u>\$ -</u>	<u>\$ 56,920</u>	<u>\$ 130,428</u>

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:				
Investment earnings	-	(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>

Endowment net assets of \$130,428 and \$128,115 are included with investments on the statements of financial position for the years ended June 30, 2017 and 2016, respectively.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

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, 2017 and 2016. In addition, Safe Horizon rents from the Corporation all its available units at a fixed price of \$48,000 per annum. The Corporation shares a common Board of Directors with Safe Horizon.

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.

As of June 30, 2012, Safe Horizon advanced \$175,000 to New York Peace Institute, Inc. (“NYPI”) and the amount will be repaid through recoupment over the contract term. As of June 30, 2017 and 2016, the outstanding balance of advances to NYPI amounted to \$50,000 and \$75,000, respectively 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.

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, 2017, and thereafter:

2018	\$	6,035,001
2019		5,048,792
2020		3,790,365
2021		2,756,556
2022		2,384,426
Thereafter		<u>4,336,541</u>
	\$	<u>24,351,681</u>

Rent expense for the years ended June 30, 2017 and 2016 amounted to \$6,465,851 and \$6,311,939, 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, 2017 and 2016 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, 2017 and 2016, there was approximately \$19,250,000 and \$16,765,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

SAFE HORIZON, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 15 – SUBSEQUENT EVENTS

Safe Horizon has evaluated events subsequent to the date of the statements of financial position through December 18, 2017, the date the financial statements were available to be issued.