

SAFE ALLIANCE, INC.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Safe Alliance, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Safe Alliance, Inc. (the "Agency"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 the Agency 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.

Other Matters

Other Information – Schedule of Expenditures of Federal and State Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
September 27, 2016

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

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 1,126,438	\$ 699,562
Beneficial Interest in Assets Held by Trustee	12,280	13,135
Accounts Receivable		
United Way Allocation	656,347	723,487
Grants and Pledges Receivable, Net	255,675	263,131
Capital Campaign Pledges Receivable, Net	139,330	419,472
Lotus Society Pledges Receivable, Net	115,516	156,544
Other	21,609	32,587
Prepaid Expenses	53,739	41,889
Other Assets	8,960	9,202
Property and Equipment, Net	5,980,894	6,375,675
 Total Assets	 \$ 8,370,788	 \$ 8,734,684
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 6,288	\$ 18,751
Accrued Payroll and Benefits	77,452	104,918
Note Payable	500,000	500,000
Other Liabilities	14,925	18,558
Total Liabilities	598,665	642,227
 NET ASSETS		
Unrestricted	6,680,146	7,087,676
Unrestricted - Board Appropriated for Operating Reserves	60,785	46,789
Temporarily Restricted	1,022,553	949,353
Permanently Restricted	8,639	8,639
Total Net Assets	7,772,123	8,092,457
 Total Liabilities and Net Assets	 \$ 8,370,788	 \$ 8,734,684

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Program Fees	\$ 55,622	\$ -	\$ -	\$ 55,622
Public Support				
United Way	44,118	656,654	-	700,772
Government	1,927,434	332,109	-	2,259,543
Other Contributions & Grants	1,093,237	348,990	-	1,442,227
Donated Goods and Services	415,957	-	-	415,957
Interest	-	31	-	31
Other Income, Net	2,969	(885)	-	2,084
Revenues and Other Support	3,539,337	1,336,899	-	4,876,236
 Net Assets Released from Restrictions				
United Way	723,487	(723,487)	-	-
Government	333,977	(333,977)	-	-
Other Contributions & Grants	206,235	(206,235)	-	-
Total Net Assets Released from Restrictions	1,263,699	(1,263,699)	-	-
 Total Revenues and Other Support	4,803,036	73,200	-	4,876,236
 EXPENSES				
Program Services:				
Clinical Services	668,868	-	-	668,868
Victim Services	3,548,666	-	-	3,548,666
Employee Assistance Program	1,346	-	-	1,346
Economic Independence	33,875	-	-	33,875
Total Program Services	4,252,755	-	-	4,252,755
Supporting Services:				
Administrative	425,612	-	-	425,612
Fundraising - General	518,203	-	-	518,203
Total Supporting Services	943,815	-	-	943,815
 Total Expenses	5,196,570	-	-	5,196,570
 CHANGE IN NET ASSETS	(393,534)	73,200	-	(320,334)
Net Assets - Beginning of Year	7,134,465	949,353	8,639	8,092,457
 NET ASSETS - END OF YEAR	\$ 6,740,931	\$ 1,022,553	\$ 8,639	\$ 7,772,123

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Program Fees	\$ 511,957	\$ -	\$ -	\$ 511,957
Public Support				
United Way	62,157	723,487	-	785,644
Government	2,236,784	430,371	-	2,667,155
Other Contributions & Grants	1,087,008	207,759	-	1,294,767
Donated Goods and Services	224,943	-	-	224,943
Interest	-	8	-	8
Other Income	18,063	207	-	18,270
Revenues and Other Support	<u>4,140,912</u>	<u>1,361,832</u>	<u>-</u>	<u>5,502,744</u>
Net Assets Released from Restrictions				
United Way	1,221,034	(1,221,034)	-	-
Government	434,087	(434,087)	-	-
Other Contributions & Grants	220,845	(220,845)	-	-
Total Net Assets Released from Restrictions	<u>1,875,966</u>	<u>(1,875,966)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	6,016,878	(514,134)	-	5,502,744
EXPENSES				
Program Services:				
Clinical Services	1,778,206	-	-	1,778,206
Victim Services	3,623,674	-	-	3,623,674
Employee Assistance Program	87,054	-	-	87,054
Economic Independence	21,400	-	-	21,400
Total Program Services	<u>5,510,334</u>	<u>-</u>	<u>-</u>	<u>5,510,334</u>
Supporting Services:				
Administrative	493,128	-	-	493,128
Fundraising - General	674,665	-	-	674,665
Total Supporting Services	<u>1,167,793</u>	<u>-</u>	<u>-</u>	<u>1,167,793</u>
Total Expenses	<u>6,678,127</u>	<u>-</u>	<u>-</u>	<u>6,678,127</u>
CHANGE IN NET ASSETS	(661,249)	(514,134)	-	(1,175,383)
Net Assets - Beginning of Year	<u>7,795,714</u>	<u>1,463,487</u>	<u>8,639</u>	<u>9,267,840</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,134,465</u></u>	<u><u>\$ 949,353</u></u>	<u><u>\$ 8,639</u></u>	<u><u>\$ 8,092,457</u></u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (320,334)	\$ (1,175,383)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	407,288	405,634
Amortization of Issuance Costs	242	5,642
Loss on Disposal of Assets	154	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	406,744	1,006,111
Prepaid Expenses	(11,850)	20,601
Beneficial Interest in Assets Held by Trustee	855	(215)
Accounts Payable	(12,463)	(459)
Accrued Payroll and Benefits	(27,466)	4,301
Other Liabilities	(3,633)	(445)
Net Cash Provided by Operating Activities	439,537	265,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,661)	(15,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Line of Credit	-	(571,320)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	426,876	(321,115)
Cash and Cash Equivalents - Beginning of Year	699,562	1,020,677
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,126,438	\$ 699,562
SUMMARY OF CASH AND CASH EQUIVALENTS		
Unrestricted	\$ 923,877	\$ 603,163
Temporarily Restricted	202,561	96,399
	\$ 1,126,438	\$ 699,562
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ -	\$ 21,792

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Clinical Services	Victim Services	Employee Assistance Program
Salaries	\$ 246,309	\$ 1,752,414	\$ -
Employee Benefits	32,173	372,427	818
Payroll Taxes	20,763	152,102	-
Total Salaries & Related Expenses	299,245	2,276,943	818
Contracted & Professional Services	93,146	126,832	474
Food, Printing, Office & Program Supplies	1,534	30,032	-
Telephone & Internet	15,251	34,594	35
Postage & Shipping	750	2,600	-
Rent & Utilities	145,858	169,624	-
Insurance	1,520	41,098	-
Equipment & Maintenance	7,450	73,096	19
Subscriptions & Publications	124	77	-
Travel, Training & Conferences	1,031	14,156	-
Dues	150	3,681	-
Financial Assistance	3,575	85,356	-
In-Kind	90,184	23,400	-
Interest	-	17,000	-
Special Events and Other Fundraising	42,744	244,095	-
Total Other Expenses	403,317	865,641	528
Total Expenses Before Depreciation and Amortization	702,562	3,142,584	1,346
Depreciation and Amortization	181	406,082	-
Total Expenses	\$ 702,743	\$ 3,548,666	\$ 1,346

See accompanying Notes to Financial Statements.

<u>Administrative</u>	<u>Fundraising - General</u>	<u>Total</u>
\$ 120,000	\$ 176,734	\$ 2,295,457
26,685	37,320	469,423
9,351	14,886	197,102
<hr/>	<hr/>	<hr/>
156,036	228,940	2,961,982
236,432	35,834	492,718
2,326	6,582	40,474
(79)	921	50,722
53	2,397	5,800
9,920	42,502	367,904
(228)	2,479	44,869
1,322	3,743	85,630
99	95	395
3,710	3,405	22,302
532	715	5,078
-	-	88,931
15,335	43,064	171,983
-	-	17,000
154	146,259	433,252
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269,576	287,996	1,827,058
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425,612	516,936	4,789,040
-	1,267	407,530
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\$ 425,612	\$ 518,203	\$ 5,196,570
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SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Clinical Services	Victim Services	Employee Assistance Program
Salaries	\$ 945,210	\$ 1,879,006	\$ 42,207
Employee Benefits	135,356	397,198	8,897
Payroll Taxes	88,152	168,745	3,308
Total Salaries & Related Expenses	1,168,718	2,444,949	54,412
Contracted & Professional Services	187,314	179,006	12,093
Food, Printing, Office & Program Supplies	6,978	72,875	837
Telephone & Internet	15,402	36,320	838
Postage & Shipping	2,128	3,120	110
Rent & Utilities	177,508	209,214	8,842
Insurance	10,351	52,093	19
Equipment & Maintenance	22,331	35,039	149
Subscriptions & Publications	-	290	840
Travel, Training & Conferences	115,583	22,554	1,156
Dues	614	4,502	185
Financial Assistance	511	41,972	-
In-Kind	52,511	56,407	7,502
Interest	-	21,792	-
Special Events and Other Fundraising	39,093	39,907	-
Total Other Expenses	630,324	775,091	32,571
Total Expenses Before Depreciation and Amortization	1,799,042	3,220,040	86,983
Depreciation and Amortization	564	403,634	71
Total Expenses	\$ 1,799,606	\$ 3,623,674	\$ 87,054

See accompanying Notes to Financial Statements.

<u>Administrative</u>	<u>Fundraising - General</u>	<u>Total</u>
\$ 122,487	\$ 266,967	\$ 3,255,877
39,960	58,778	640,189
9,723	23,598	293,526
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172,170	349,343	4,189,592
289,382	50,856	718,651
3,798	60,823	145,311
182	1,093	53,835
159	1,181	6,698
8,849	53,054	457,467
19	115	62,597
1,060	2,647	61,226
-	99	1,229
8,632	6,107	154,032
1,175	989	7,465
-	-	42,483
7,502	42,009	165,931
-	-	21,792
200	99,342	178,542
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320,958	318,315	2,077,259
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493,128	667,658	6,266,851
-	7,007	411,276
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\$ 493,128	\$ 674,665	\$ 6,678,127
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SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 ORGANIZATION AND PURPOSE

Safe Alliance, Inc. (the "Agency") provides a continuum of crisis intervention, advocacy, shelter and counseling services to victims of domestic violence and sexual assault and their non-offending loved ones. Services are provided to those who live or work in Mecklenburg County in North Carolina. The Agency is a non-stock, nonprofit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Program services are provided in the following areas:

Domestic Violence

- 24 hour domestic violence hotline
- Emergency shelter
- Domestic violence education and survivor support
- Individual and group counseling
- Free shelter medical clinic
- Domestic violence advocacy, safety planning and care management
- Individual court advocacy and legal representation and court accompaniment for those seeking domestic violence protective orders

Sexual Assault

- 24 hour rape crisis hotline
- 24 hour hospital response and hospital accompaniment
- Individual advocacy, safety planning and care management
- Support groups

Trauma Informed Mental Health Counseling

- Survivors of sexual assault

In fiscal year 2016, the Agency discontinued operation of its program and operations in Union and Cabarrus County. All expenses related to operations in Union and Cabarrus Counties were paid as of March 31, 2016. The Agency also narrowed the scope of its mental health counseling program and discontinued services to the broader population, instead focusing only on services for survivors of domestic and sexual violence. The Agency no longer accepts Medicaid or commercial insurance as payment for its mental health counseling services.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 ACCOUNTING POLICIES

The more significant accounting policies followed by the Agency are as follows:

Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates

Management of the Agency has made a number of estimates and assumptions relating to reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met or the likelihood of not meeting the conditions is deemed remote.

Amounts recorded as uncollectible public support include amounts previously recognized in temporarily restricted net assets upon allocation that were not utilized.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investment accounts with original maturities less than three months. The Agency maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, the Agency may maintain bank account balances in excess of the FDIC insured limit. The Agency believes they are not exposed to any significant cash credit risk.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist primarily of amounts restricted for various grants for the years ended June 30, 2016 and 2015.

Beneficial Interests in Assets Held in Trust by Third Party

The Foundation for the Carolinas (the "Foundation") holds in trust, accounts for the benefit of the Agency. The Agency may request annual distributions of accumulated income from these accounts. Recommendations for distribution of principal, as considered necessary by the Board of Directors of the Agency may be made to the Foundation. The Foundation has complete discretion as to the timing and amounts of distributions from these funds; however, the Foundation has no variance power to distribute any portion of these funds to another not-for-profit entity.

Accounts Receivable

Accounts receivable include accounts receivable generated through program services provided, unconditional pledges, and amounts due under various grants.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. Amortization of the discounts is included in contribution revenue.

Property and Equipment

Purchased property and equipment with a value of \$2,500 or more are carried at cost and donated assets are recorded at their fair market value at the date of the gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Maintenance, repair costs and minor replacements are charged to expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is reflected in current operations.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets and related revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained by the Agency in perpetuity. Donors of these assets stipulate that all, or part of, the income earned on related investments be used for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting activities, primarily by budgeted full-time equivalents (FTEs).

Donated Goods and Services

Donated goods and services are reflected as contributions in the financial statements at their estimated value at the time of receipt. At June 30, 2016 and 2015, donated goods and services consisted primarily of office space rent received at a reduced rate, donated professional services, donated legal services for victims' assistance and imputed interest on an interest-free loan.

During the years ended June 30, 2016 and 2015, the Agency received occupancy rent credits in the amounts of approximately \$187,000 and \$150,000, respectively, from its landlord, Children and Family Service Center, Inc. (the "Center"). These credits are approved by the Center on an annual basis, and are recorded as in-kind revenue and expense in the period in which they are received. Because there are numerous factors used in determining the rental rates each period, the Agency is unable to estimate the amount of below market rent for future periods. Accordingly, no receivable has been recorded in the accompanying statements of financial position for below market rent.

In addition, volunteers, including officers and directors of the Agency, donate their time in program services and/or fundraising. No amount has been reflected in the financial statements for these services as they generally do not meet the criteria for revenue recognition.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

As of June 30, 2016 and 2015, the Beneficial Interest in Assets Held by Trustee was classified within the fair value hierarchy as a Level 3 financial instrument.

Income Taxes

The Agency follows the income tax standard for uncertain tax provisions. As a result of the implementation, the Agency has evaluated its tax position and management believes it has no uncertain tax positions as of June 30, 2016 or 2015.

The Agency is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income or excise or other taxes.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through September 27, 2016, the date the financial statements were available to be issued.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,233,661	\$ 1,233,661
Land Improvements	279,227	279,227
Furniture, Fixtures and Equipment	481,630	477,094
Leasehold Improvements	66,522	61,146
Computer Software	225,178	225,178
Building - New Domestic Violence Shelter	5,698,778	5,698,778
Vehicles	11,000	11,000
	<u>7,995,996</u>	<u>7,986,084</u>
Less: Accumulated Depreciation	<u>(2,015,102)</u>	<u>(1,610,409)</u>
	<u>\$ 5,980,894</u>	<u>\$ 6,375,675</u>

Total depreciation expense amounted to approximately \$407,000 and \$406,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 4 PLEDGES RECEIVABLE

During the year ended June 30, 2009, the Agency initiated a capital campaign to raise funds for a new Domestic Violence Shelter in Mecklenburg County. The Domestic Violence Shelter was opened during the year ended June 30, 2013. During the year ended June 30, 2014, the Agency initiated a new giving society called the Lotus Society. Net pledges receivable consisted of the following at June 30, 2016 and 2015:

	<u>Capital Campaign</u>	<u>Lotus Society</u>	<u>Total 2016</u>	<u>2015</u>
Due in Less than One Year	\$ 72,103	\$ 78,841	\$ 150,944	\$ 472,658
Due in Two to Five Years	70,000	45,719	115,719	169,048
	<u>142,103</u>	<u>124,560</u>	<u>266,663</u>	<u>641,706</u>
Less: Discount to Present Value	(398)	(274)	(672)	(1,538)
Less: Allowance for Uncollectible Pledges	<u>(2,375)</u>	<u>(8,770)</u>	<u>(11,145)</u>	<u>(64,152)</u>
Pledges Receivable, Net	<u>\$ 139,330</u>	<u>\$ 115,516</u>	<u>\$ 254,846</u>	<u>\$ 576,016</u>

Management used a discount rate of .28% in calculating the discount on pledges receivable.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
United Family Services Endowment	\$ 1,479	\$ 1,479
Domestic Violence Shelter	<u>7,160</u>	<u>7,160</u>
	<u>\$ 8,639</u>	<u>\$ 8,639</u>

Permanently restricted net assets consist of endowment fund assets to be held indefinitely by the Foundation for the Carolinas. The income from the assets may be used to support the Agency's program activities.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
United Way Allocation for the Subsequent Year	\$ 656,347	\$ 723,487
Lotus Society	98,533	129,466
Grant Allocations for the Subsequent Year or Future Purpose	<u>267,673</u>	<u>96,400</u>
	<u>\$ 1,022,553</u>	<u>\$ 949,353</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Time and Purpose Restrictions:		
United Way	\$ 723,487	\$ 1,221,034
Contributions and Grants	<u>540,212</u>	<u>654,932</u>
Total Net Assets Released from Restrictions	<u>\$ 1,263,699</u>	<u>\$ 1,875,966</u>

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 SPECIAL EVENTS

Special events revenue and expenses consist of the following at June 30, 2016 and 2015:

	2016	2015
Art with Heart:		
Revenue	\$ 142,465	\$ 189,618
Expenses	67,849	71,400
Net Revenue	\$ 74,616	\$ 118,218
Annual Meeting:		
Revenue	\$ 164,295	\$ 112,073
Expenses	28,391	20,094
Net Revenue	\$ 135,904	\$ 91,979
Fighting for Women with Fashion:		
Revenue	\$ 69,056	\$ 61,260
Expenses	2,900	27,544
Net Revenue	\$ 66,156	\$ 33,716
Other:		
Revenue	\$ 252,830	\$ 303,440
Expenses	49,029	84,460
Net Revenue	\$ 203,801	\$ 218,980
Total:		
Revenue	\$ 628,646	\$ 666,391
Expenses	148,169	203,498
Net Revenue	\$ 480,477	\$ 462,893

Special events revenue is included in other contributions and grants in the accompanying statements of activities. The related expenses are included in special events and other fundraising in the accompanying statements of functional expenses.

NOTE 9 RETIREMENT PLANS

Defined Contribution Retirement Plan

The Agency has a 403(b) defined contribution plan for the benefit of its employees. Effective April 1, 2009, the Agency ceased employer matching payments to the 403(b) defined contribution plan. Effective August 1, 2009, the Agency ceased all payments to the 403(b) defined contribution plan and began making payments to the 401(k) established through the Shared Services Agreement described below. Management has initiated the process of formally terminating the 403(b) defined contribution plan subsequent to the year ended June 30, 2016 and expects the process to be complete by December 31, 2016.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 RETIREMENT PLANS (CONTINUED)

Defined Contribution Retirement Plan (Continued)

In August 2009, the Agency began participating in the CFSC Shared Services, LLC 401(k) plan, a defined contribution retirement savings plan which covers all full-time and part-time employees of the Agency who meet certain minimal eligibility requirements. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each year, participants may contribute up to 85% of their annual compensation on a pre-tax basis beginning the first day of the quarter following date of hire. The Agency contributes a matching contribution of 100% of the first 1% of base compensation that a participant contributes and 50% of the next 5% that a participant contributes. The Agency's contributions to the plan for the fiscal years ended June 30, 2016 and 2015 were approximately \$43,000 and \$61,000, respectively.

NOTE 10 LEASES

The Agency receives free use of facilities for its Victim Assistance Program at the Mecklenburg County Courthouse on a month-to-month basis. The use of these facilities is recorded as an in-kind contribution and expense at estimated fair market value of approximately \$23,400 for the years ended June 30, 2016 and 2015.

The Agency leases office space under a ten-year agreement with the Center, a nonprofit organization created to construct and maintain an office building (Carol Grotnes Belk Building (the "Building")) to house Charlotte nonprofit agencies serving children and families in a central location at an affordable rate. The lease agreement also includes use of certain furniture, storage space, telephone system, computer equipment, and information technology and other collaborative services. In 2013 the lease was renewed for a ten-year period expiring on March 31, 2023. The lease is renewable for two additional ten-year periods, and a third period ending December 31, 2052. For the years ended June 30, 2016 and 2015, the lease agreement required monthly payments of approximately \$20,000. Effective July 1, 2016 the lease agreement requires payments of approximately \$20,400 per month, but may be changed at the Center's discretion.

The Agency leases additional office space, in Cornelius, North Carolina.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 LEASES (CONTINUED)

Future minimum payments for all office and equipment leases as of June 30, 2016 are as follows:

<u>Year Ending June 30:</u>	
2017	\$ 279,139
2018	254,344
2019	244,416
2020	244,416
2021	244,416
Thereafter	427,728
	<u>\$ 1,694,459</u>

Rent expense under these agreements was approximately \$265,000 and \$368,000 for the years ended June 30, 2016 and 2015, respectively.

NOTE 11 NOTE PAYABLE AND LINE OF CREDIT

In March 2012, the Agency entered into a new promissory note and business loan agreement with a financial institution for a line of credit in the amount of \$4.5 million, for the construction of the new Domestic Violence Shelter. Under the terms of the line of credit the Agency made monthly interest payments. All draws on the line of credit accrued interest at prime rate plus 0.15% with all unpaid principal and interest due December 31, 2014. As of December 2014 the Agency had repaid the entire balance and the line of credit was closed.

In July 2013, the Agency entered into a new promissory note with the North Carolina Housing Finance Agency in the amount of \$500,000, to partially pay down the line of credit obtained in 2012. Under the terms of the agreement, the entire principal balance of the loan matures on August 1, 2033 and bears no interest. The Agency has the option of applying to the North Carolina Housing Finance Agency for a refinancing of the loan under similar terms. The Agency imputed interest of approximately \$17,000 for both years ended June 30, 2016 and 2015. The interest amount was recorded as an in-kind interest expense, with corresponding in-kind revenue.

Interest expense for the years ended June 30, 2016 and 2015, was approximately \$17,000 and \$22,000, respectively.

NOTE 12 COLLABORATIVE SERVICES

The Agency participates in a collaboration agreement with the Center and several other nonprofit agencies located in the Building to share financial and human resource functions. The collaboration will continue through the termination of the Agency's Center lease. If the Agency renews its Center lease, the collaboration agreement will be automatically extended for a period coterminous with the lease.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 13 CONCENTRATIONS

During both 2016 and 2015, the Agency received approximately 14% of total revenues, from United Way appropriations.

NOTE 14 FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Safe Alliance, Inc.
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Safe Alliance, Inc. (the "Agency"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Safe Alliance, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Charlotte, North Carolina
September 27, 2016

SAFE ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016

<u>Grantor/Pass-through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>2016 Expenditures</u>
<u>FEDERAL AWARDS</u>			
U.S. Department of Justice			
Pass-Through the NC Department of Crime Control and Public Safety:			
OVS Counseling	16.575	PROJ011249	\$ 98,169
Crime Victim Assistance	16.575	PROJ011232	210,472
Total Program			<u>308,641</u>
Violence Against Women Act	16.013	120582	67,173
Division of Social Services			
Family Violence Prevention and Services Act	93.671	249005283	41,381
U.S. Department of Housing and Urban Development			
Pass-Through the NC Department of Health and Human Services:			
Emergency Shelter Grants Program	14.231	12215	22,573
Pass-Through the City of Charlotte			
Emergency Shelter Grants Program	14.231	1200229	12,512
Total Program			<u>35,085</u>
Children's Advocacy Center - Northeast		56-0529967	<u>26,508</u>
TOTAL FEDERAL AWARDS			<u>478,788</u>
<u>STATE AWARDS</u>			
NC Department of Administration:			
Counsel for Women and Domestic Violence Commission			
Sexual Assault Grant	N/A	56-0529967	23,542
North Carolina Marriage License Fees	N/A	56-0529967	20,975
North Carolina Marriage License Fees	N/A	56-0529967	21,324
Domestic Violence Centers	N/A	56-0529967	45,964
Domestic Violence Centers	N/A	56-0529967	46,525
North Carolina Divorce Filing Fees	N/A	56-0529967	25,481
North Carolina Divorce Filing Fees	N/A	56-0529967	21,235
TOTAL STATE AWARDS			<u>205,046</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 683,834</u>

SAFE ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Agency and is presented on the accrual basis of accounting as expenditures are incurred upon qualification of the grant requirements.

NOTE 2 CONTINGENCIES

The Agency is subject to audit examination by the funding sources of grants to determine its compliance with certain grant provisions. In the event that expenditures could be disallowed through the audit, repayment of such disallowances could be required.