

**SAFE ALLIANCE, INC.**  
**FINANCIAL STATEMENTS AND INDEPENDENT**  
**AUDITORS' REPORT**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**SAFE ALLIANCE, INC.  
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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, 2014 and 2013, 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 Agency'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 Agency'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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**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 30, 2014, 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 30, 2014

**SAFE ALLIANCE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,020,677	\$ 1,194,848
Restricted Cash and Cash Equivalents	-	98,221
Beneficial Interest in Assets Held by Trustee	12,920	11,216
Accounts Receivable		
United Way Allocation	1,221,034	1,215,762
Grants and Pledges Receivable, Net	181,589	357,501
Capital Campaign Pledges Receivable, Net	922,694	1,457,771
Lotus Society Pledges Receivable, Net	204,921	-
Other	71,094	175,437
Prepaid Expenses	62,490	48,416
Other Assets	14,844	15,928
Property and Equipment, Net	6,765,727	7,172,408
 Total Assets	 \$ 10,477,990	 \$ 11,747,508
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 19,210	\$ 78,362
Accrued Payroll and Benefits	100,617	11,914
Line of Credit	571,320	1,996,320
Note Payable	500,000	-
Other Liabilities	19,003	3,908
Total Liabilities	1,210,150	2,090,504
 <b>NET ASSETS</b>		
Unrestricted	7,724,435	8,242,857
Unrestricted - Board Appropriated for Employee Benefits	71,279	74,425
Temporarily Restricted	1,463,487	1,331,083
Permanently Restricted	8,639	8,639
Total Net Assets	9,267,840	9,657,004
 Total Liabilities and Net Assets	 \$ 10,477,990	 \$ 11,747,508

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Program Fees	\$ 587,032	\$ -	\$ -	\$ 587,032
Public Support				
United Way	71,046	1,221,034	-	1,292,080
Government	1,796,257	512,642	-	2,308,899
Other Contributions & Grants	1,496,993	347,208	-	1,844,201
Donated Goods and Services	207,221	-	-	207,221
Interest	69	115	-	184
Other Income, Net	1,211	1,728	-	2,939
Revenues and Other Support	<u>4,159,829</u>	<u>2,082,727</u>	<u>-</u>	<u>6,242,556</u>
Net Assets Released from Restrictions				
United Way	1,215,762	(1,215,762)	-	-
Government	526,548	(526,548)	-	-
Other Contributions & Grants	208,013	(208,013)	-	-
Total Net Assets Released from Restrictions	<u>1,950,323</u>	<u>(1,950,323)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	6,110,152	132,404	-	6,242,556
<b>EXPENSES</b>				
Program Services:				
Clinical Services	1,619,259	-	-	1,619,259
Victim Services	3,729,311	-	-	3,729,311
Employee Assistance Program	35,619	-	-	35,619
Economic Independence	19,470	-	-	19,470
Total Program Services	<u>5,403,659</u>	<u>-</u>	<u>-</u>	<u>5,403,659</u>
Supporting Services:				
Administrative	491,098	-	-	491,098
Fundraising - General	736,963	-	-	736,963
Total Supporting Services	<u>1,228,061</u>	<u>-</u>	<u>-</u>	<u>1,228,061</u>
Total Expenses	<u>6,631,720</u>	<u>-</u>	<u>-</u>	<u>6,631,720</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(521,568)	132,404	-	(389,164)
Net Assets - Beginning of Year	<u>8,317,282</u>	<u>1,331,083</u>	<u>8,639</u>	<u>9,657,004</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 7,795,714</u>	<u>\$ 1,463,487</u>	<u>\$ 8,639</u>	<u>\$ 9,267,840</u>

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Program Fees	\$ 690,574	\$ -	\$ -	\$ 690,574
Public Support				
United Way	52,350	1,215,762	-	1,268,112
Government	194,611	1,963,043	-	2,157,654
Capital Campaign Contributions	-	1,035,084	-	1,035,084
Other Contributions & Grants	1,015,836	371,795	-	1,387,631
Donated Goods and Services	211,382	-	-	211,382
Interest	462	171	-	633
Other Income	7,196	1,646	-	8,842
Revenues and Other Support	2,172,411	4,587,501	-	6,759,912
Net Assets Released from Restrictions				
United Way	1,241,247	(1,241,247)	-	-
Government	1,985,506	(1,985,506)	-	-
Capital Campaign Contributions	4,094,989	(4,094,989)	-	-
Other Contributions & Grants	393,942	(393,942)	-	-
Total Net Assets Released from Restrictions	7,715,684	(7,715,684)	-	-
 Total Revenues and Other Support	 9,888,095	 (3,128,183)	 -	 6,759,912
<b>EXPENSES</b>				
Program Services:				
Clinical Services	1,614,317	-	-	1,614,317
Victim Services	3,918,832	-	-	3,918,832
Employee Assistance Program	85,122	-	-	85,122
Economic Independence	32,589	-	-	32,589
Total Program Services	5,650,860	-	-	5,650,860
Supporting Services:				
Administrative	525,378	-	-	525,378
Fundraising - General	662,281	-	-	662,281
Fundraising - Capital Campaign	1,445	-	-	1,445
Total Supporting Services	1,189,104	-	-	1,189,104
 Total Expenses	 6,839,964	 -	 -	 6,839,964
<b>INCREASE (DECREASE) IN NET ASSETS</b>	 3,048,131	 (3,128,183)	 -	 (80,052)
Net Assets - Beginning of Year	5,269,151	4,459,266	8,639	9,737,056
<b>NET ASSETS - END OF YEAR</b>	\$ 8,317,282	\$ 1,331,083	\$ 8,639	\$ 9,657,004

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (389,164)	\$ (80,052)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	406,681	244,287
Amortization of Issuance Costs	10,770	10,177
Contributions Restricted for New Shelter	-	(1,035,084)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	605,139	1,520,617
Prepaid Expenses	(14,074)	42,980
Beneficial Interest in Assets Held by Trustee	(1,704)	(2,577)
Accounts Payable	(59,152)	39,370
Accrued Payroll and Benefits	88,703	(7,063)
Deferred Revenue	15,095	3,908
Net Cash Provided by Operating Activities	662,294	736,563
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(4,878,051)
Net Cash Used in Investing Activities	-	(4,878,051)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-Term Debt	500,000	2,796,320
Repayment of Line of Credit	(1,425,000)	(800,000)
Payment of Loan Acquisition Cost	(9,686)	-
Contributions Restricted for New Shelter	-	1,035,084
Net Cash Provided by (Used in) Financing Activities	(934,686)	3,031,404
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(272,392)	(1,110,084)
Cash and Cash Equivalents - Beginning of Year	1,293,069	2,403,153
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,020,677	\$ 1,293,069
<b>SUMMARY OF CASH AND CASH EQUIVALENTS</b>		
Unrestricted	\$ 1,020,677	\$ 1,194,848
Temporarily Restricted	-	98,221
	\$ 1,020,677	\$ 1,293,069
<b>SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 48,393	\$ 48,552

See accompanying Notes to Financial Statements.



**SAFE ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

	<u>Clinical Services</u>	<u>Victim Services</u>	<u>Employee Assistance Program</u>
Salaries	\$ 887,607	\$ 1,881,342	\$ 4,167
Employee Benefits	140,278	417,155	1,035
Payroll Taxes	83,389	174,521	300
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Total Salaries & Related Expenses	1,111,274	2,473,018	5,502
Contracted & Professional Services	163,079	296,243	14,009
Food, Printing, Office & Program Supplies	18,971	54,002	1,636
Telephone & Internet	17,108	33,719	928
Postage & Shipping	2,789	3,295	138
Rent & Utilities	193,530	173,322	-
Insurance	986	58,166	-
Equipment & Maintenance	31,817	24,887	15
Subscriptions & Publications	94	786	793
Travel, Training & Conferences	16,280	23,039	145
Dues	1,955	4,956	185
Financial Assistance	250	50,336	-
In-Kind	59,199	64,385	12,174
Interest	-	48,393	-
Special Events and Other Fundraising	1,184	5,517	-
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Total Other Expenses	507,242	841,046	30,023
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Total Expenses Before Depreciation and Amortization	1,618,516	3,314,064	35,525
Depreciation and Amortization	743	415,247	94
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Total Expenses	<u>\$ 1,619,259</u>	<u>\$ 3,729,311</u>	<u>\$ 35,619</u>

See accompanying Notes to Financial Statements.

<u>Economic Independence</u>	<u>Administrative</u>	<u>Fundraising - General</u>	<u>Fundraising - Capital Campaign</u>	<u>Total</u>
\$ -	\$ 129,063	\$ 271,725	\$ -	\$ 3,173,904
-	22,427	59,835	-	640,730
-	10,302	23,432	-	291,944
-	161,792	354,992	-	4,106,578
19,470	269,461	54,493	-	816,755
-	1,018	70,205	-	145,832
-	237	1,295	-	53,287
-	177	1,391	-	7,790
-	11,083	67,309	-	445,244
-	-	-	-	59,152
-	29,347	7,682	-	93,748
-	-	164	-	1,837
-	2,964	4,541	-	46,969
-	845	716	-	8,657
-	-	-	-	50,586
-	13,381	35,560	-	184,699
-	-	-	-	48,393
-	793	137,248	-	144,742
<u>19,470</u>	<u>329,306</u>	<u>380,604</u>	<u>-</u>	<u>2,107,691</u>
19,470	491,098	735,596	-	6,214,269
-	-	1,367	-	417,451
<u>\$ 19,470</u>	<u>\$ 491,098</u>	<u>\$ 736,963</u>	<u>\$ -</u>	<u>\$ 6,631,720</u>

**SAFE ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Clinical Services	Victim Services	Employee Assistance Program
Salaries	\$ 879,706	\$ 1,731,956	\$ 36,011
Employee Benefits	198,600	376,295	3,047
Payroll Taxes	80,926	158,429	3,253
<b>Total Salaries &amp; Related Expenses</b>	<b>1,159,232</b>	<b>2,266,680</b>	<b>42,311</b>
Contracted & Professional Services	121,908	347,011	15,489
Food, Printing, Office & Program Supplies	8,016	149,356	555
Telephone & Internet	15,520	33,174	390
Postage & Shipping	2,713	3,756	325
Rent & Utilities	178,061	201,248	10,093
Insurance	4,879	32,711	309
Equipment & Maintenance	11,938	388,160	606
Subscriptions & Publications	416	387	717
Travel, Training & Conferences	9,847	16,369	1,046
Dues	6,538	5,388	260
Financial Assistance	9	108,015	-
In-Kind	61,695	66,061	12,634
Interest	-	48,552	-
Special Events and Other Fundraising	30,936	1,154	-
<b>Total Other Expenses</b>	<b>452,476</b>	<b>1,401,342</b>	<b>42,424</b>
<b>Total Expenses Before Depreciation and Amortization</b>	<b>1,611,708</b>	<b>3,668,022</b>	<b>84,735</b>
Depreciation and Amortization	2,609	250,810	387
<b>Total Expenses</b>	<b>\$ 1,614,317</b>	<b>\$ 3,918,832</b>	<b>\$ 85,122</b>

See accompanying Notes to Financial Statements.

<u>Economic Independence</u>	<u>Administrative</u>	<u>Fundraising - General</u>	<u>Fundraising - Capital Campaign</u>	<u>Total</u>
\$ -	\$ 121,147	\$ 283,584	\$ -	\$ 3,052,404
-	11,686	58,678	-	648,306
-	10,778	26,067	-	279,453
-	143,611	368,329	-	3,980,163
32,589	312,185	36,202	1,445	866,829
-	7,813	61,907	-	227,647
-	301	951	-	50,336
-	436	1,515	-	8,745
-	8,124	29,512	-	427,038
-	1,640	901	-	40,440
-	521	1,786	-	403,011
-	400	961	-	2,881
-	6,659	4,671	-	38,592
-	11,427	390	-	24,003
-	-	-	-	108,024
-	26,558	44,434	-	211,382
-	-	-	-	48,552
-	5,682	110,085	-	147,857
<u>32,589</u>	<u>381,746</u>	<u>293,315</u>	<u>1,445</u>	<u>2,605,337</u>
32,589	525,357	661,644	1,445	6,585,500
-	21	637	-	254,464
<u>\$ 32,589</u>	<u>\$ 525,378</u>	<u>\$ 662,281</u>	<u>\$ 1,445</u>	<u>\$ 6,839,964</u>

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 1 ORGANIZATION AND PURPOSE**

Safe Alliance, Inc. (the "Agency") provides various counseling services and support for families and individuals in Mecklenburg, South Iredell, Cabarrus and Union Counties 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:

Clinical Services

*Counseling*

- Individual, couple, group, and family therapy
- Specialized training in Trauma Focused Cognitive Behavioral Therapy for victims of sexual assault, childhood trauma and other violent crimes

Victim Services

*Child Abuse Prevention*

- Child abuse prevention, awareness and education

*Rape Crisis*

- 24-hour, seven-day-a-week rape crisis response via hotline and at the hospital
- Advocacy, case management and support for the victims and families affected by crime
- Crime victim's compensation guidance

*Domestic Violence Services*

- 24-hour domestic violence hotline
- Domestic violence shelter
- Domestic violence counseling, education and survivor support
- Advocacy, case management and support for victims and families affected by domestic assault
- Legal representation, assistance with protection orders and accompaniment to court hearings

Employee Assistance Program

- Employer, employee counseling and consultation

On June 30, 2012 the Agency discontinued its consumer credit counseling services included under the Economic Independence program. The Agency will continue to receive income and incur fees for the Debt Management Plans created prior to discontinuing the service until the plans are completed.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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 statement 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.

**Program Fee Revenue**

Program fee revenue consists of fee for service charges to clients and third-party payors such as insurance companies and companies contracting for the Employee Assistance Program (EAP) clients. These amounts also include contributions from creditors of a percentage of the debt owed returned to them through consumer credit debt management plans. The Agency records receivables for these services at net realizable value. An allowance for uncollectible amounts is estimated based on historical collection experience.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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 year ended June 30, 2014. Amounts restricted for the year ended June 30, 2013 are for the North Carolina eNOUGH domestic violence awareness campaign.

**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 Organization 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 trade 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 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.

**Deferred Revenue**

Deferred revenue is comprised of accounts receivable billed and cash received in advance for employee assistance contracts for services that will be provided subsequent to year end. These amounts are included in other liabilities in the accompanying statements of financial position.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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, 2014 and 2013, donated goods and services consisted primarily of office space rent received at a reduced rate, donated professional services and imputed interest on an interest-free loan.

During the years ended June 30, 2014 and 2013, the Agency received occupancy rent credits in the amount of approximately \$158,000 and \$164,000, 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, 2014 AND 2013**

**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.

**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, 2014. The Agency's income tax returns for the years ended June 30, 2011, 2012, and 2013 are open for inspection by taxing authorities.

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.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements, with no effect on previously reported net assets or changes in net assets.

**Subsequent Events**

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through September 30, 2014, the date the financial statements were available to be issued.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,233,661	\$ 1,233,661
Land Improvements	274,645	274,645
Furniture, Fixtures and Equipment	477,094	477,094
Leasehold Improvements	61,146	61,146
Computer Software	225,178	225,178
Building - New Domestic Violence Shelter	5,698,778	5,698,778
	<u>7,970,502</u>	<u>7,970,502</u>
Less: Accumulated Depreciation	(1,204,775)	(798,094)
	<u>\$ 6,765,727</u>	<u>\$ 7,172,408</u>

Total depreciation expense amounted to approximately \$407,000 and \$244,000 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013:

	<u>Capital Campaign</u>	<u>Lotus Society</u>	<u>Total 2014</u>	<u>2013</u>
Due in Less than One Year	\$ 521,498	\$ 99,555	\$ 621,053	\$ 656,524
Due in Two to Five Years	461,743	116,439	578,182	864,390
	<u>983,241</u>	<u>215,994</u>	<u>1,199,235</u>	<u>1,520,914</u>
Less: Discount to Present Value	(1,264)	(273)	(1,537)	(3,443)
Less: Allowance for Uncollectible Pledges	(59,283)	(10,800)	(70,083)	(59,700)
Pledges Receivable, Net	<u>\$ 922,694</u>	<u>\$ 204,921</u>	<u>\$ 1,127,615</u>	<u>\$ 1,457,771</u>

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 5 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
United Family Services Endowment	\$ 1,479	\$ 1,479
Domestic Violence Shelter	7,160	7,160
	<u>\$ 8,639</u>	<u>\$ 8,639</u>

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
United Way Allocation for the Subsequent Year	\$ 1,221,034	\$ 1,215,762
Lotus Society Allocation for the Subsequent Year	214,340	-
Grant Allocations for the Subsequent Year	28,113	115,321
	<u>\$ 1,463,487</u>	<u>\$ 1,331,083</u>

**NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions for the years ended June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Time Restrictions:		
United Way	\$ 1,215,762	\$ 1,241,247
Capital Campaign Contributions	-	4,094,989
Contributions and Grants	734,561	2,379,448
Total Net Assets Released from Restrictions	<u>\$ 1,950,323</u>	<u>\$ 7,715,684</u>

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 8 SPECIAL EVENTS**

Special events revenue and expenses consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Art With Heart:		
Revenue	\$ 144,951	\$ 162,046
Expenses	62,097	76,513
Net Revenue	<u>\$ 82,854</u>	<u>\$ 85,533</u>
Annual Meeting:		
Revenue	\$ 115,942	\$ -
Expenses	33,642	-
Net Revenue	<u>\$ 82,300</u>	<u>\$ -</u>
Avett Brothers:		
Revenue	\$ -	\$ 96,071
Expenses	-	36,543
Net Revenue	<u>\$ -</u>	<u>\$ 59,528</u>
Other:		
Revenue	\$ 226,315	\$ 166,004
Expenses	57,603	51,390
Net Revenue	<u>\$ 168,712</u>	<u>\$ 114,614</u>

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 Benefit Retirement Plan**

Effective July 31, 2009 the agency terminated its noncontributory defined benefit plan. Plan assets in excess of Plan liabilities of approximately \$1,274,000 reverted back to the Agency in October 2010. As of June 30, 2014 and 2013 it was the intent of the Board to utilize \$71,279 and \$74,425 respectively to make additional contributions to the defined contribution retirement plan (see below) for those employees most affected by the termination of the Plan.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

**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.

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 contribution to the plan for the fiscal years ended June 30, 2014 and 2013 was approximately \$61,000 and \$59,000, 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, 2014 and 2013.

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. The lease expired on March 31, 2013 and was renewed for an additional 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. Through June 30, 2013, the lease agreement required monthly payments of approximately \$18,700. For the year ended June 30, 2014, the lease agreement required monthly payments of approximately \$19,600. Effective July 1, 2014 the lease agreement requires payments of approximately \$20,000 per month, but may be changed at the Center's discretion.

The Agency leases additional office space, in Union, Cabarrus, and the Mooresville Lake Norman areas, and equipment under operating leases that expire through June 2016.

**SAFE ALLIANCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE 10 LEASES (CONTINUED)**

Future minimum payments for all office and equipment leases as of June 30, 2014 are as follows:

<u>Year Ending June 30:</u>	
2015	\$ 430,989
2016	428,714
2017	239,609
2018	239,609
2019	239,609
Thereafter	898,533
	<u>\$ 2,477,063</u>

Rent expense under these agreements was approximately \$377,000 and \$382,000 for the years ended June 30, 2014 and 2013, 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 will make monthly interest payments. All draws on the line of credit accrue interest at prime rate plus 0.15% (3.4% at June 30, 2014) with all unpaid principal and interest due December 31, 2014. As of June 30, 2014 and 2013, the outstanding balance was approximately \$571,000 and \$1,996,000, respectively.

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 \$15,600 for the year ended June 30, 2014. The interest amount was recorded as an in-kind interest expense, with corresponding in-kind revenue.

Interest expense for the years ended June 30, 2014 and 2013, was approximately \$48,000 and \$49,000, 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, 2014 AND 2013**

**NOTE 13 CONCENTRATIONS**

During 2014 and 2013, the Agency received approximately 21% and 19% of total revenues, respectively, from United Way appropriations.

## **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, 2014, 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 30, 2014.

**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.

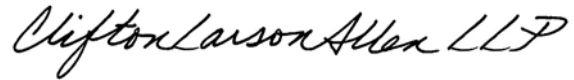
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **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 30, 2014

**SAFE ALLIANCE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2014**

<u>Grantor/Pass-through Agency/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grantor's Number</u>	<u>2014 Expenditures</u>
<b><u>FEDERAL AWARDS</u></b>			
<b>U.S. Department of Justice</b>			
Pass-Through the NC Department of Crime Control and Public Safety:			
Victims of Crime Act	16.575	060-1-10-B10-AV-536	\$ 207,758
Victims of Crime Act	16.575	210-VA-GX-0109	1,976
Total for Program			<u>209,734</u>
Violence Against Women Act	16.020	120582	28,727
Juvenile Justice and Delinquency Prevention	16.540	490-10804	64,017
SASP	16.017	2012-KF-AX-0052	15,201
Pass-Through the National Children's Alliance:			
Children's Advocacy Centers of NC	16.758	18-MONR-NC-SA13	4,000
Children's Advocacy Centers of NC	16.758	18-MONR-NC-SA14	4,500
Total for Program			<u>8,500</u>
Division of Social Services:			
Family Violence Prevention and Services Act	93.671	249005283	33,710
<b>U.S. Department of Health and Human Services</b>			
Pass-Through the NC Department of Health and Human Services			
Child Advocacy Center	93.667	01138-12	15,560
Rape Crisis Prevention	93.991	2B01DP009034-13	23,047
<b>U.S. Department of Housing and Urban Development</b>			
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	12,513
Total for Program			<u>35,086</u>
<b>U.S. Department of Homeland Security</b>			
<b>Federal Emergency Management Agency</b>			
Pass-Through the United Way of the Central Carolinas	97.024	645400-014	<u>10,000</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>443,582</u>
<b><u>STATE AWARDS</u></b>			
<b>NC Department of Administration:</b>			
Counsel for Women and Domestic Violence Commission:			
North Carolina Marriage License Fees	N/A	56-0529967	24,288
North Carolina Marriage License Fees	N/A	56-0529967	24,000
North Carolina Divorce Filing Fees	N/A	56-0529967	45,855
Sexual Assault Grant	N/A	56-0529967	24,709
Sexual Assault Grant	N/A	56-0529967	36,306
Sexual Assault Grant	N/A	56-0529967	47,437
Domestic Violence Centers	N/A	56-0529967	<u>45,856</u>
<b>TOTAL STATE AWARDS</b>			<u>248,451</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 692,033</u>

**SAFE ALLIANCE, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDED JUNE 30, 2014**

**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.