

SAFE ALLIANCE, INC.
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
YEARS ENDED JUNE 30, 2020 AND 2019



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**SAFE ALLIANCE, INC.
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Safe Alliance, Inc. (the Agency), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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 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, 2020 and 2019, 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.

Emphasis-of-Matter Regarding Changes in Accounting Principles

As described in Note 2 to the financial statements, the Agency adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* and Financial Accounting Standards Board Accounting Standards Update 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Our opinion is not modified with respect to those matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, 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 solely 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 the effectiveness of Safe Alliance, Inc.'s 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
November 10, 2020

SAFE ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 2,043,768	\$ 1,256,147
Beneficial Interest in Assets Held by Trustee	11,174	12,157
Accounts Receivable		
United Way Allocation	224,250	672,750
Grants and Pledges Receivable, Net	881,622	564,681
Lotus Society Pledges Receivable, Net	32,662	106,193
Other	106,613	17,714
Prepaid Expenses	38,007	53,055
Property and Equipment, Net	4,846,879	4,999,659
 Total Assets	 \$ 8,184,975	 \$ 7,682,356
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 134,338	\$ 29,279
Accrued Payroll and Benefits	137,274	121,905
Note Payable	1,260,167	491,767
Other Liabilities	31,300	77,883
Total Liabilities	1,563,079	720,834
 NET ASSETS		
Without Donor Restrictions	5,540,229	5,912,174
Without Donor Restrictions - Board Appropriated for Operating Reserves	333,664	64,138
With Donor Restrictions	748,003	985,210
Total Net Assets	6,621,896	6,961,522
 Total Liabilities and Net Assets	 \$ 8,184,975	 \$ 7,682,356

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Program Fees	\$ 6,208	\$ -	\$ 6,208
Public Support			
United Way	-	165,200	165,200
Government	3,439,555	494,753	3,934,308
Other Contributions & Grants	929,231	712,700	1,641,931
Donated Goods and Services	487,429	-	487,429
Special Events (Net of Direct Cost of \$109,029 and In-Kind Cost of \$108,730)	490,636	-	490,636
Interest	5,430	-	5,430
Other Income (Loss), Net	25,959	(983)	24,976
Revenues and Other Support	5,384,448	1,371,670	6,756,118
 Net Assets Released from Restrictions			
United Way	613,700	(613,700)	-
Government	437,284	(437,284)	-
Other Contributions and Grants	557,893	(557,893)	-
Total Net Assets Released from Restrictions	1,608,877	(1,608,877)	-
 Total Revenues and Other Support	6,993,325	(237,207)	6,756,118
 EXPENSES			
Program Services:			
Victim Services	5,889,319	-	5,889,319
Total Program Services	5,889,319	-	5,889,319
 Supporting Services:			
Administrative	649,382	-	649,382
Fundraising	557,043	-	557,043
Total Supporting Services	1,206,425	-	1,206,425
 Total Expenses	7,095,744	-	7,095,744
 CHANGE IN NET ASSETS	(102,419)	(237,207)	(339,626)
 Net Assets - Beginning of Year	5,976,312	985,210	6,961,522
 NET ASSETS - END OF YEAR	\$ 5,873,893	\$ 748,003	\$ 6,621,896

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Program Fees	\$ 12,259	\$ -	\$ 12,259
Public Support			
United Way	6,660	672,750	679,410
Government	3,257,042	436,269	3,693,311
Other Contributions & Grants	716,520	359,306	1,075,826
Donated Goods and Services	458,677	-	458,677
Special Events (Net of Direct Cost of \$120,271 and In-Kind Cost of \$159,816)	453,275	-	453,275
Interest	5,005	-	5,005
Other Income (Loss), Net	5,231	(810)	4,421
Revenues and Other Support	4,914,669	1,467,515	6,382,184
 Net Assets Released from Restrictions			
United Way	597,996	(597,996)	-
Government	444,985	(444,985)	-
Other Contributions and Grants	355,957	(355,957)	-
Total Net Assets Released from Restrictions	1,398,938	(1,398,938)	-
 Total Revenues and Other Support	6,313,607	68,577	6,382,184
EXPENSES			
Program Services:			
Victim Services	5,216,888	-	5,216,888
Total Program Services	5,216,888	-	5,216,888
 Supporting Services:			
Administrative	516,852	-	516,852
Fundraising	541,788	-	541,788
Total Supporting Services	1,058,640	-	1,058,640
 Total Expenses	6,275,528	-	6,275,528
 CHANGE IN NET ASSETS	38,079	68,577	106,656
Net Assets - Beginning of Year	5,938,233	916,633	6,854,866
 NET ASSETS - END OF YEAR	\$ 5,976,312	\$ 985,210	\$ 6,961,522

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (339,626)	\$ 106,656
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	385,977	381,920
Amortization of Issuance Costs	-	242
Changes in Operating Assets and Liabilities:		
Accounts Receivable	116,191	(438,163)
Prepaid Expenses	15,048	(2,586)
Beneficial Interest in Assets Held by Trustee	983	809
Accounts Payable	21,959	(19,287)
Accrued Payroll and Benefits	15,369	36,994
Other Liabilities	(46,583)	48,383
Net Cash Provided by Operating Activities	169,318	114,968
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(150,097)	(64,970)
Net Cash Used by Investing Activities	(150,097)	(64,970)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	768,400	-
Net Cash Provided by Financing Activities	768,400	-
 NET INCREASE IN CASH AND CASH EQUIVALENTS	787,621	49,998
Cash and Cash Equivalents - Beginning of Year	1,256,147	1,206,149
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,043,768	\$ 1,256,147
 SUMMARY OF CASH AND CASH EQUIVALENTS		
Without Donor Restrictions	\$ 1,839,795	\$ 1,053,781
With Donor Restrictions	203,973	202,366
Total	\$ 2,043,768	\$ 1,256,147
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Purchases of Property and Equipment Included in Accounts Payable	\$ 83,100	\$ -

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Victim Services	Administrative	Fundraising	Total
Salaries	\$ 3,035,738	\$ 194,092	\$ 298,023	\$ 3,527,853
Employee Benefits	539,042	51,322	54,705	645,069
Payroll Taxes	228,058	11,512	24,596	264,166
Total Salaries and Related Expenses	<u>3,802,838</u>	<u>256,926</u>	<u>377,324</u>	<u>4,437,088</u>
Contracted and Professional Services	224,458	294,116	55,451	574,025
Food, Printing, Office, and Program Supplies	81,695	33,815	8,394	123,904
Telephone and Internet	38,361	1,384	791	40,536
Postage and Shipping	2,384	818	2,001	5,203
Rent and Utilities	308,406	6,803	34,849	350,058
Insurance	42,883	531	2,304	45,718
Equipment and Maintenance	269,636	6,982	282	276,900
Subscriptions and Publications	-	611	810	1,421
Travel, Training, and Conferences	23,641	18,568	842	43,051
Dues	2,704	2,976	1,100	6,780
Direct Assistance to Clients	274,428	-	-	274,428
In-Kind	388,932	9,050	181,177	579,159
Interest	17,000	-	-	17,000
Miscellaneous Expense	27,361	15,417	109,477	152,255
Total Other Expenses	<u>1,701,889</u>	<u>391,071</u>	<u>397,478</u>	<u>2,490,438</u>
Total Expenses Before Depreciation and Amortization	5,504,727	647,997	774,802	6,927,526
Depreciation and Amortization	<u>384,592</u>	<u>1,385</u>	<u>-</u>	<u>385,977</u>
Total Expenses	5,889,319	649,382	774,802	7,313,503
Less: Special Events Direct Costs and In-Kind Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(217,759)</u>	<u>(217,759)</u>
Net Expenses	<u>\$ 5,889,319</u>	<u>\$ 649,382</u>	<u>\$ 557,043</u>	<u>\$ 7,095,744</u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Victim Services	Administrative	Fundraising	Total
Salaries	\$ 2,592,209	\$ 127,500	\$ 259,701	\$ 2,979,410
Employee Benefits	497,664	22,483	40,024	560,171
Payroll Taxes	199,031	9,022	20,169	228,222
Total Salaries and Related Expenses	<u>3,288,904</u>	<u>159,005</u>	<u>319,894</u>	<u>3,767,803</u>
Contracted and Professional Services	224,896	307,991	52,077	584,964
Food, Printing, Office, and Program Supplies	53,614	4,756	6,683	65,053
Telephone and Internet	34,969	297	745	36,011
Postage and Shipping	2,491	1,051	2,870	6,412
Rent and Utilities	284,197	6,803	34,553	325,553
Insurance	40,361	457	1,787	42,605
Equipment and Maintenance	210,313	1,576	3,864	215,753
Subscriptions and Publications	726	154	355	1,235
Travel, Training, and Conferences	72,021	3,686	1,657	77,364
Dues	1,614	2,066	1,560	5,240
Direct Assistance to Clients	253,456	-	-	253,456
In-Kind	302,915	25,856	272,722	601,493
Interest	17,000	-	-	17,000
Miscellaneous Expense	47,491	3,154	123,108	173,753
Total Other Expenses	<u>1,546,064</u>	<u>357,847</u>	<u>501,981</u>	<u>2,405,892</u>
Total Expenses Before Depreciation and Amortization	4,834,968	516,852	821,875	6,173,695
Depreciation and Amortization	<u>381,920</u>	<u>-</u>	<u>-</u>	<u>381,920</u>
Total Expenses	5,216,888	516,852	821,875	6,555,615
Less: Special Events Direct Costs and In-Kind Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(280,087)</u>	<u>(280,087)</u>
Net Expenses	<u>\$ 5,216,888</u>	<u>\$ 516,852</u>	<u>\$ 541,788</u>	<u>\$ 6,275,528</u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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. Program services provided include the following:

Victim Services

Domestic Violence

- 24 hour domestic violence hotline
- Emergency shelter
- Domestic violence education and survivor support
- Individual and group counseling
- 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

Clinical Services

- Trauma Informed Mental Health Counseling
 - Survivors of sexual assault

Family Justice Center

The Agency is collaborating with Mecklenburg County, the City of Charlotte, Pat's Place Child Advocacy Center (Pat's Place), and Jamie Kimble Foundation for Courage, Inc. (JKF) to create a Family Justice Center (FJC). The FJC model is utilized internationally to provide victims of domestic violence, sexual assault, child abuse, elder abuse, and human trafficking the opportunity to access comprehensive services in a single location.

During the year ended June 30, 2020, a memorandum of understanding was executed between the Agency, Pat's Place, and JKF relating to a fundraising campaign. The purpose of the fundraising campaign is to raise dollars to create the FJC in partnership with the City and County. As of June 30, 2020, no funds have been raised.

Meanwhile partners are creating an interim service location – the Survivor Resource Center (SRC) is a much smaller, first stage version of an FJC. Here the SRC will have approximately 15 staff collocated and will serve victims of abuse by referral, who have been identified as highest risk in our community. The Agency is serving as the administrative lead and will be the leaseholder, as well as the coordinator of partnership activities for the SRC. The Agency expects the SRC to be in existence approximately three years.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

Family Justice Center (Continued)

Subsequent to the year ended June 30, 2020, the Agency entered into a three year sublease with another organization effective September 1, 2020 for the SRC.

NOTE 2 ACCOUNTING POLICIES

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

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Agency and/or the passage of time. 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 net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates

Contributions and Support

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

Grant awards are evaluated by management and determined to either be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met. No government grants in the accompanying statements of activities for the years ended June 30, 2020 and 2019 are considered exchange transactions.

A portion of the Agency's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Agency has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position. The Agency received cost-reimbursable grants that have not been recognized of approximately \$2,733,000 and \$3,323,000 for the years ended June 30, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred. No advance payments have been received.

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

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 Federal Deposit Insurance Corporation (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.

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.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

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 \$5,000 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.

Deferred Financing Costs

Financing costs incurred in connection with the issuance of long-term debt are deferred and amortized over the term of the related indebtedness, which approximates the effective interest method.

Adoption of New Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Agency's financial statements reflect the application of Topic 606 guidance beginning in 2019, as ASC 606 was adopted using the full retrospective approach. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Agency's reported historical revenue, as there are no significant revenue streams subject to Topic 606.

The Agency has adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) as management believes the standard improves the usefulness and understandability of the Agency's financial reporting.

**SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Principles (Continued)

The Agency's financial statements reflect the application ASU 2018-08 beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2018-08 did not significantly impact the Agency's reported historical revenue.

Functional Allocation of Expenses

Expenses (both direct and indirect) not associated with a specific functional classification, such as square footage, are allocated among the various classifications using a formula based on staff utilization, or direct payroll hours, in each classification (program, administration, and fundraising).

Donated Goods and Services

Donated goods and services are reflected as a component of program support in the financial statements at their estimated value at the time of receipt. At June 30, 2020 and 2019, 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, 2020 and 2019, the Agency received occupancy rent credits in the amounts of approximately \$258,000 and \$215,000, 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.

During the years ended June 30, 2020 and 2019, the value of donated goods and services meeting the requirement for recognition in the financial statements as contributions and as expense was as follows:

	2020	2019
Donated Use of Facilities	\$ 281,305	\$ 238,865
Donated Professional Services	61,350	64,956
Donated Goods	127,774	137,856
Imputed Interest (See Note 10)	17,000	17,000
Total	<u>\$ 487,429</u>	<u>\$ 458,677</u>

Donated goods used for special events of approximately \$109,000 and \$160,000 for the years ended June 30, 2020 and 2019, respectively, is included in special events, net in the accompanying statements of activities and not included in the above table.

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, 2020 AND 2019

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, 2020 and 2019, the Beneficial Interest in Assets Held by Trustee was classified within the fair value hierarchy as a Level 3 financial instrument.

Income Taxes

Safe Alliance, Inc. is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Additionally, management believes the Agency does not have income subject to unrelated business income tax. Accordingly, no provision for income taxes is required in the financial statements.

The Agency's income tax returns are subject to review and examination by federal, state, and local authorities. The Agency is not aware of any activities that would jeopardize its tax-exempt status. The Agency is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

U.S. GAAP requires the Agency to recognize a tax benefit or expense from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. Management believes the Agency had no uncertain tax positions as of June 30, 2020 and 2019.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in the update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The guidance is required to be applied by the Agency for the year ended June 30, 2023; however, early application is permitted. The Agency is currently evaluating the effect that the standard will have on the financial statements.

Risks and Uncertainties

In March 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Agency's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes the Agency is taking appropriate actions mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on the previously reported net assets or change in net assets.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date the financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 is summarized as follows:

	2020	2019
Land	\$ 1,233,661	\$ 1,233,661
Land Improvements	279,227	279,227
Furniture, Fixtures, and Equipment	216,158	216,159
Leasehold Improvements	193,274	193,274
Computer Software	1,780	1,780
Building - Domestic Violence Shelter	5,931,976	5,698,778
Vehicles	11,000	11,000
Subtotal	7,867,076	7,633,879
Less: Accumulated Depreciation	(3,020,197)	(2,634,220)
Total	\$ 4,846,879	\$ 4,999,659

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 PROPERTY AND EQUIPMENT (CONTINUED)

Total depreciation expense amounted to approximately \$386,000 and \$382,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 4 PLEDGES RECEIVABLE

Net pledges receivable consisted of the following at June 30:

	2020	2019
Due in Less than One Year	\$ 37,857	\$ 94,440
Due in Two to Five Years	5,465	22,413
Subtotal	43,322	116,853
Less: Allowance for Uncollectible Pledges	(10,660)	(10,660)
Pledges Receivable, Net	\$ 32,662	\$ 106,193

No discount on pledges receivable was taken during 2020 or 2019.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	2020	2019
Restricted for Time:		
United Way	\$ 224,250	\$ 672,750
Grants and Pledges	350,000	-
Lotus Society Pledges	22,486	92,245
Restricted for Purpose:		
Grants	140,093	208,639
Other	407	809
Restricted in Perpetuity:		
United Family Services Endowment	1,860	1,860
Domestic Violence Shelter	8,907	8,907
Total	\$ 748,003	\$ 985,210

Net assets with donor restrictions restricted in perpetuity 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 and is recorded as without donor restrictions.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Time Restrictions:		
United Way	\$ 448,500	\$ 597,996
Contributions and Grants	200,000	-
Lotus Society Pledges	214,148	39,740
Purpose Restrictions:		
Contributions and Grants	746,229	761,202
Total Net Assets Released from Restrictions	<u>\$ 1,608,877</u>	<u>\$ 1,398,938</u>

NOTE 7 SPECIAL EVENTS, NET

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

	<u>2020</u>	<u>2019</u>
Art with Heart:		
Revenue	\$ 212,037	\$ 300,664
Expenses	139,850	202,286
Net Revenue	<u>\$ 72,187</u>	<u>\$ 98,378</u>
Annual Meeting:		
Revenue	\$ 185,467	\$ 136,549
Expenses	32,948	31,353
Net Revenue	<u>\$ 152,519</u>	<u>\$ 105,196</u>
Fighting for Women with Fashion:		
Revenue	\$ 135,697	\$ 119,201
Expenses	41,648	34,548
Net Revenue	<u>\$ 94,049</u>	<u>\$ 84,653</u>
Other:		
Revenue	\$ 175,194	\$ 176,948
Expenses	3,313	11,900
Net Revenue	<u>\$ 171,881</u>	<u>\$ 165,048</u>
Total:		
Revenue	\$ 708,395	\$ 733,362
Expenses	217,759	280,087
Net Revenue	<u>\$ 490,636</u>	<u>\$ 453,275</u>

Special events revenue, net of related expenses, is included in the accompanying statements of activities.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 RETIREMENT PLANS

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, 2020 and 2019 were approximately \$73,000 and \$57,000, respectively.

NOTE 9 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, 2020 and 2019.

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, 2020 and 2019, the lease agreement required monthly payments of approximately \$21,600, but may be changed at the Center's discretion.

The Agency leases additional office space, in Cornelius, North Carolina. In 2018 the lease was renewed for an additional two-year period expiring on May 31, 2020. In 2020 this lease was extended for an additional seven months expiring on December 31, 2020. For the years ended June 30, 2020 and 2019, the lease agreement required monthly payments of approximately \$1,100.

During the year ended June 30, 2020, the Agency entered into a lease agreement for office equipment. The lease agreement is for a five-year period expiring on August 16, 2025. For the year ended June 30, 2020, the lease agreement required monthly payments of approximately \$2,000.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 LEASES (CONTINUED)

Future minimum payments for all office and equipment leases as of June 30, 2020 are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 289,648
2022	283,008
2023	218,178
2024	23,688
2025	2,961
Total	<u>\$ 817,483</u>

Rent expense under these agreements was approximately \$273,000 and \$259,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 10 NOTES PAYABLE

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 at maturity. The Agency imputed interest of approximately \$17,000 for both years ended June 30, 2020 and 2019. The interest amount was recorded as an in-kind interest expense, with corresponding in-kind revenue in the accompanying statements of activities.

In April 2020, the Agency entered into a new unsecured promissory note (the Note) with a lender in the amount of \$768,400 under the Paycheck Protection Program (PPP) established by section 1102 of the CARES Act and as implemented and administered by the Small Business Administration (SBA). Under the terms of the agreement, the Note bears an interest rate of 1.0% and will be repaid in 18 monthly installments of \$43,251 beginning on November 27, 2020. The outstanding balance on the Note at June 30, 2020 was approximately \$768,000.

Under the PPP, all or a portion of this loan may be forgiven. The actual amount of the loan forgiveness will depend, in part, on the total amount of payroll costs, rent payments, and utility payments paid by the Agency during the twenty four week period following the Note. Management anticipates applying for full forgiveness of this loan during the year ending June 30, 2021.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 NOTES PAYABLE (CONTINUED)

Notes payable is comprised of the following at June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Promissory note payable to North Carolina Housing Finance Agency in the amount of \$500,000 with no interest and principal due August 2033	\$ 500,000	\$ 500,000
Promissory note payable to Townebank in the amount of \$768,400 with principal and interest payments of \$43,251 due in 18 monthly installments at a fixed rate of 1%. The note matures in April 2022	768,400	-
Total Notes Payable	1,268,400	500,000
Less: Debt Issuance Costs	<u>(8,233)</u>	<u>(8,233)</u>
Total Obligations, Net	1,260,167	491,767
Less: Current Portion	<u>(338,005)</u>	-
Total Obligations, Net - Noncurrent Portion	<u>\$ 922,162</u>	<u>\$ 491,767</u>

Interest expense for the years ended June 30, 2020 and 2019, was approximately \$17,000.

Scheduled principal payments on the notes for the years subsequent to June 30, 2020 are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2021	\$ 338,005
2022	430,395
Thereafter	500,000
Total	<u>\$ 1,268,400</u>

NOTE 11 LINE OF CREDIT

The Agency entered into a promissory note for a line of credit (LOC) in the amount of \$250,000 on April 9, 2019. The LOC bears interest based on an independent index which is the Wall Street Journal Prime Rate and requires monthly interest payments. The interest rate cannot be less than 4.5%. The LOC is due on demand. During the year ended June 30, 2020 and 2019, the Agency did not have any draws on the LOC. At June 30, 2020 and 2019 the Agency did not have any outstanding balance under the LOC.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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.

NOTE 13 CONCENTRATIONS

During 2020 and 2019, the Agency received approximately 2% and 11%, respectively, of total revenues, from United Way appropriations.

NOTE 14 LIQUIDITY AND AVAILABILITY

The Agency strives to maintain liquid assets sufficient to cover 60 days of general expenditures. The Agency receives significant contributions and grants restricted for services that are ongoing and central to its annual operations and not available to meet cash needs for general expenditures. The Agency has designated approximately \$334,000 of net assets without donor restrictions for the purpose of capital expenditures related to the Clyde & Ethel Dickson Domestic Violence Shelter. The Agency has an available line of credit of approximately \$250,000 which can be drawn on if needed as of June 30, 2020.

The following table reflects the Agency's liquid financial assets as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,043,768	\$ 1,256,147
Accounts Receivable		
United Way Allocation, Current Portion	224,250	448,500
Grants and Pledges Receivable, Net, Current Portion	881,622	564,681
Lotus Society Pledges Receivable, Net, Current Portion	27,197	83,780
Other Receivables	106,613	17,714
Total	<u>3,283,450</u>	<u>2,370,822</u>
Less: Net Assets with Donor Restrictions Subject to Expenditures for Specific Purposes	(140,093)	(208,639)
Less: Net Assets - Board Appropriated for Operating Reserves	<u>(333,664)</u>	<u>(64,138)</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u><u>\$ 2,809,693</u></u>	<u><u>\$ 2,098,045</u></u>