

SAFE ALLIANCE, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Safe Alliance, Inc. (the Agency), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Safe Alliance, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, 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 the Agency'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 14, 2022

SAFE ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 3,940,619	\$ 2,623,142
Beneficial Interest in Assets Held by Trustee	11,235	11,174
Accounts Receivable:		
United Way	144,138	221,750
Grants	1,022,638	962,717
Lotus Society Pledges Receivable, Net	5,175	8,327
Other	183,145	214,021
Prepaid Expenses	245,477	192,440
Property and Equipment, Net	4,449,434	4,819,763
Total Assets	\$ 10,001,861	\$ 9,053,334
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 13,511	\$ 14,854
Accrued Payroll and Benefits	130,612	125,187
Note Payable	492,251	492,009
Other Liabilities	69,954	101,003
Total Liabilities	706,328	733,053
NET ASSETS		
Without Donor Restrictions	8,006,842	7,463,176
Without Donor Restrictions - Board Appropriated for Operating Reserves	333,664	333,664
With Donor Restrictions	955,027	523,441
Total Net Assets	9,295,533	8,320,281
Total Liabilities and Net Assets	\$ 10,001,861	\$ 9,053,334

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
United Way	\$ -	\$ 288,275	\$ 288,275
Government	4,599,366	527,751	5,127,117
Other Contributions and Grants	625,873	1,327,950	1,953,823
Contributions of Nonfinancial Assets	606,658	-	606,658
Special Events (Net of Direct Cost of \$25,312)	537,749	-	537,749
Survivor Resource Center Partner Support	278,817	-	278,817
Interest	3,282	61	3,343
Other Income (Loss), Net	8,536	-	8,536
Revenue and Other Support	6,660,281	2,144,037	8,804,318
 Net Assets Released from Restrictions:			
United Way	365,887	(365,887)	-
Government	496,425	(496,425)	-
Other Contributions and Grants	850,139	(850,139)	-
Total Net Assets Released from Restrictions	1,712,451	(1,712,451)	-
 Total Revenue and Other Support	8,372,732	431,586	8,804,318
 EXPENSES			
Program Services:			
Victim Services	6,471,675	-	6,471,675
Total Program Services	6,471,675	-	6,471,675
 Supporting Services:			
Administrative	758,969	-	758,969
Fundraising	598,422	-	598,422
Total Supporting Services	1,357,391	-	1,357,391
 Total Expenses	7,829,066	-	7,829,066
 CHANGE IN NET ASSETS	543,666	431,586	975,252
Net Assets - Beginning of Year	7,796,840	523,441	8,320,281
 NET ASSETS - END OF YEAR	\$ 8,340,506	\$ 955,027	\$ 9,295,533

See accompanying Notes to Financial Statements.

**SAFE ALLIANCE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
United Way	\$ -	\$ 468,500	\$ 468,500
Government	4,899,659	462,736	5,362,395
Other Contributions and Grants	593,572	594,257	1,187,829
Contributions of Nonfinancial Assets	412,942	-	412,942
Special Events (Net of Direct Cost of \$42,167 and In-Kind Cost of \$14,252)	409,985	-	409,985
Survivor Resource Center Partner Support	229,572	-	229,572
Interest	2,701	-	2,701
Forgiveness of Debt	774,569	-	774,569
Other Income (Loss), Net	8,845	-	8,845
Revenue and Other Support	7,331,845	1,525,493	8,857,338
 Net Assets Released from Restrictions:			
United Way	446,000	(446,000)	-
Government	474,609	(474,609)	-
Other Contributions and Grants	829,446	(829,446)	-
Total Net Assets Released from Restrictions	1,750,055	(1,750,055)	-
 Total Revenue and Other Support	9,081,900	(224,562)	8,857,338
EXPENSES			
Program Services:			
Victim Services	5,775,479	-	5,775,479
Total Program Services	5,775,479	-	5,775,479
 Supporting Services:			
Administrative	790,937	-	790,937
Fundraising	592,537	-	592,537
Total Supporting Services	1,383,474	-	1,383,474
 Total Expenses	7,158,953	-	7,158,953
 CHANGE IN NET ASSETS	1,922,947	(224,562)	1,698,385
 Net Assets - Beginning of Year	5,873,893	748,003	6,621,896
 NET ASSETS - END OF YEAR	\$ 7,796,840	\$ 523,441	\$ 8,320,281

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 975,252	\$ 1,698,385
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	427,132	427,047
Amortization of Debt Issuance Costs	242	242
Forgiveness of Debt	-	(774,569)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	51,719	(161,668)
Prepaid Expenses	(53,037)	(154,433)
Beneficial Interest in Assets Held by Trustee	(61)	-
Accounts Payable	(1,343)	(113,315)
Accrued Payroll and Benefits	5,425	(12,087)
Other Liabilities	(31,049)	69,703
Net Cash Provided by Operating Activities	1,374,280	979,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(56,803)	(399,931)
Net Cash Used by Investing Activities	(56,803)	(399,931)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,317,477	579,374
Cash and Cash Equivalents - Beginning of Year	2,623,142	2,043,768
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,940,619	\$ 2,623,142
SUMMARY OF CASH AND CASH EQUIVALENTS		
Without Donor Restrictions	\$ 3,529,901	\$ 2,481,343
With Donor Restrictions	410,718	141,799
Total	\$ 3,940,619	\$ 2,623,142

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Victim Services	Administrative	Fundraising	Total
Salaries	\$ 3,104,669	\$ 259,108	\$ 342,202	\$ 3,705,979
Employee Benefits	555,882	34,871	64,611	655,364
Payroll Taxes	245,360	15,599	26,534	287,493
Total Salaries and Related Expenses	<u>3,905,911</u>	<u>309,578</u>	<u>433,347</u>	<u>4,648,836</u>
Contracted and Professional Services	186,800	357,315	32,991	577,106
Food, Printing, Office, and Program Supplies	61,090	3,256	8,375	72,721
Telephone and Internet	41,161	1,455	464	43,080
Postage and Shipping	1,979	555	867	3,401
Rent and Utilities	493,178	19,537	46,944	559,659
Insurance	54,422	1,372	3,123	58,917
Equipment and Maintenance	172,952	315	591	173,858
Subscriptions and Publications	-	406	-	406
Travel, Training, and Conferences	18,311	3,048	365	21,724
Dues	3,238	3,213	465	6,916
Direct Assistance to Clients	577,751	-	-	577,751
In-Kind	502,648	24,893	62,117	589,658
Interest	17,242	-	-	17,242
Miscellaneous Expense	40,860	1,026	34,085	75,971
Total Other Expenses	<u>2,171,632</u>	<u>416,391</u>	<u>190,387</u>	<u>2,778,410</u>
Total Expenses Before Depreciation and Amortization	6,077,543	725,969	623,734	7,427,246
Depreciation	<u>394,132</u>	<u>33,000</u>	<u>-</u>	<u>427,132</u>
Total Expenses	6,471,675	758,969	623,734	7,854,378
Less: Special Events Direct Costs	<u>-</u>	<u>-</u>	<u>(25,312)</u>	<u>(25,312)</u>
Net Expenses	<u>\$ 6,471,675</u>	<u>\$ 758,969</u>	<u>\$ 598,422</u>	<u>\$ 7,829,066</u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Victim Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,113,001	\$ 193,800	\$ 357,548	\$ 3,664,349
Employee Benefits	548,679	51,563	41,154	641,396
Payroll Taxes	245,939	15,380	28,429	289,748
Total Salaries and Related Expenses	<u>3,907,619</u>	<u>260,743</u>	<u>427,131</u>	<u>4,595,493</u>
Contracted and Professional Services	241,699	355,155	47,893	644,747
Food, Printing, Office, and Program Supplies	69,494	79,135	8,693	157,322
Telephone and Internet	41,514	1,313	872	43,699
Postage and Shipping	1,779	320	1,116	3,215
Rent and Utilities	336,610	21,822	43,405	401,837
Insurance	48,372	1,473	2,891	52,736
Equipment and Maintenance	159,208	5,227	155	164,590
Subscriptions and Publications	201	314	427	942
Travel, Training, and Conferences	5,574	449	220	6,243
Dues	3,938	2,089	1,880	7,907
Direct Assistance to Clients	199,273	-	-	199,273
In-Kind	314,099	23,992	71,902	409,993
Interest	17,242	-	-	17,242
Miscellaneous Expense	23,595	17,120	42,371	83,086
Total Other Expenses	<u>1,462,598</u>	<u>508,409</u>	<u>221,825</u>	<u>2,192,832</u>
Total Expenses Before Depreciation and Amortization	5,370,217	769,152	648,956	6,788,325
Depreciation	<u>405,262</u>	<u>21,785</u>	<u>-</u>	<u>427,047</u>
Total Expenses	5,775,479	790,937	648,956	7,215,372
Less: Special Events Direct Costs and In-Kind Deducted from Revenue	<u>-</u>	<u>-</u>	<u>(56,419)</u>	<u>(56,419)</u>
Net Expenses	<u>\$ 5,775,479</u>	<u>\$ 790,937</u>	<u>\$ 592,537</u>	<u>\$ 7,158,953</u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION

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) (collectively referred to as the Partners) 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. These three entities worked together to create an independent organization that will receive and manage all capital donations. The new agency was granted its nonprofit status in December 2020.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 ORGANIZATION (CONTINUED)

Family Justice Center (Continued)

Meanwhile the 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. Each entity with staff located in the SRC entered into a usage agreement which documented their contractual financial obligation to pay specific operational expenses over this three-year period that the SRC is expected to operate. During the years ended June 30, 2022 and 2021, the Agency recognized approximately \$279,000 and \$230,000, respectively, of revenues in the accompanying statements of activities related to the usage agreement.

NOTE 2 SUMMARY OF SIGNIFICANT 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.

Adoption of New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency about the measurement of contributed nonfinancial assets recognized by nonprofit entities. This new standard requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities and to disclose information regarding the measurement of the nonfinancial assets. Required disclosures include whether the contributions were monetized or utilized during the reporting period, a description of the valuation technique used to determine a fair value measure, and a description of any donor-imposed restrictions associated with the contribution. The Council's adoption of this new guidance only resulted in additional disclosures being added to the financial statements.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021 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 \$1,510,000 and \$2,594,000 for the years ended June 30, 2022 and 2021, 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.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonprofit 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 \$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 3 to 40 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.

Functional Allocation of Expenses

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

Contributed Nonfinancial Assets

The Agency recognized contributed nonfinancial assets within revenue, including donated goods and services and donated use of facilities, as further described below. Contributed nonfinancial assets did not have donor-imposed restrictions.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021, donated goods and services consisted primarily of donated use of facilities (i.e., 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.

The estimated fair value of donated facilities is based on comparable rental rates in the local real estate market. The estimated fair value of professional services and donated legal services are based on an estimated hourly rates that would be incurred in the Agency directly employed the individuals performing the services. The estimated fair value of donated goods are based on estimates of wholesale values that would be received for selling similar products.

During the years ended June 30, 2022 and 2021, the Agency received occupancy rent credits valued in the amounts of approximately \$263,000 and \$253,000, 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 contributed nonfinancial assets 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, 2022 and 2021, the value of donated goods and services meeting the requirement for recognition in the financial statements as contributions and as expense was as follows:

	<u>2022</u>	<u>2021</u>
Donated Use of Facilities	\$ 389,989	\$ 337,146
Donated Professional Services	28,506	25,860
Donated Goods	171,163	32,936
Imputed Interest (See Note 10)	17,000	17,000
Total	<u>\$ 606,658</u>	<u>\$ 412,942</u>

Donated goods used for special events of approximately \$14,000 for the year ended June 30, 2021, is included in special events, net in the accompanying statements of activities and not included in the above table. There were no donated goods used for special events for the year ended June 30, 2022.

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, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT 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, 2022 and 2021, 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.

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. Accordingly, no provision for income taxes is required in the financial statements.

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, 2022 and 2021.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncement Not Yet Adopted

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. 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 to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment, net at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,233,661	\$ 1,233,661
Land Improvements	279,227	279,227
Furniture, Fixtures, and Equipment	651,217	615,494
Leasehold Improvements	204,479	193,274
Computer Software	2,375	2,375
Building - Domestic Violence Shelter	5,941,851	5,931,976
Vehicles	11,000	11,000
Subtotal	<u>8,323,810</u>	<u>8,267,007</u>
Less: Accumulated Depreciation	<u>(3,874,376)</u>	<u>(3,447,244)</u>
Total	<u>\$ 4,449,434</u>	<u>\$ 4,819,763</u>

Total depreciation expense amounted to approximately \$427,000 for the years ended June 30, 2022 and 2021.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 LOTUS SOCIETY PLEDGES RECEIVABLE, NET

Lotus society pledges receivable, net consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Due in Less than One Year	\$ 5,208	\$ 13,522
Due in Two to Five Years	792	5,465
Subtotal	6,000	18,987
Less: Allowance for Uncollectible Pledges	(825)	(10,660)
Pledges Receivable, Net	<u>\$ 5,175</u>	<u>\$ 8,327</u>

No net present value discount on pledges receivable was taken during 2022 or 2021.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Restricted for Time:		
United Way	\$ 144,138	\$ 221,750
Grants and Pledges	349,500	100,290
Lotus Society Pledges	5,175	8,327
Restricted for Purpose:		
Grants	444,979	181,900
Other	468	407
Restricted in Perpetuity:		
United Family Services Endowment	1,860	1,860
Domestic Violence Shelter	8,907	8,907
Total	<u>\$ 955,027</u>	<u>\$ 523,441</u>

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.

NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Time Restrictions:		
United Way	\$ 365,887	\$ 446,000
Contributions and Grants	50,000	321,000
Lotus Society Pledges	512,147	203,817
Purpose Restrictions:		
Contributions and Grants	784,417	779,238
Total Net Assets Released from Restrictions	<u>\$ 1,712,451</u>	<u>\$ 1,750,055</u>

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 SPECIAL EVENTS, NET

Special events revenue, net of related expenses, is included in the accompanying statements of activities and consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Art with Heart:		
Revenue	\$ -	\$ 4,753
Expenses	-	4,830
Net Revenue	<u>\$ -</u>	<u>\$ (77)</u>
Annual Meeting:		
Revenue	\$ 252,341	\$ 205,312
Expenses	16,440	13,092
Net Revenue	<u>\$ 235,901</u>	<u>\$ 192,220</u>
Fighting for Women with Fashion:		
Revenue	\$ -	\$ 99,067
Expenses	-	25,808
Net Revenue	<u>\$ -</u>	<u>\$ 73,259</u>
Walk A Mile In Her Shoes:		
Revenue	\$ 138,780	\$ 95,143
Expenses	6,207	7,391
Net Revenue	<u>\$ 132,573</u>	<u>\$ 87,752</u>
Holiday Store:		
Revenue	\$ 12,328	\$ -
Expenses	-	-
Net Revenue	<u>\$ 12,328</u>	<u>\$ -</u>
3rd Party Events:		
Revenue	\$ 127,986	\$ -
Expenses	2,165	-
Net Revenue	<u>\$ 125,821</u>	<u>\$ -</u>
Other:		
Revenue	\$ 31,626	\$ 62,129
Expenses	500	5,298
Net Revenue	<u>\$ 31,126</u>	<u>\$ 56,831</u>
Total:		
Revenue	\$ 563,061	\$ 466,404
Expenses	25,312	56,419
Net Revenue	<u>\$ 537,749</u>	<u>\$ 409,985</u>

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021 were approximately \$66,000 and \$79,000, 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 \$127,000 and \$84,000 for the years ended June 30, 2022 and 2021, respectively.

The Agency leases office space under a 10-year agreement with the Center, a nonprofit organization created to construct and maintain an office building to house Charlotte nonprofit agencies serving children and families in a central location at an affordable rate (Building). 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 10-year period expiring on March 31, 2023. The lease is renewable for two additional 10-year periods, and a third period ending December 31, 2052. For the years ended June 30, 2022 and 2021, 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. In 2021, this lease was extended for an additional four months expiring April 30, 2021, an additional two months expiring June 30, 2021, and an additional three months expiring September 30, 2021. In 2022, this lease was extended for an additional nine months expiring June 30, 2022, and an additional 12 months expired June 30, 2023. For the years ended June 30, 2022 and 2021, the lease agreement required monthly payments of approximately \$1,100.

During the year ended June 30, 2021, the Agency entered into a three-year sublease agreement with another organization for the SRC expiring in January 2024. For the year ended June 30, 2022 and 2021, the lease required monthly payments of approximately \$24,000.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 LEASES (CONTINUED)

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, 2022 and 2021, the lease agreement required monthly payments of approximately \$2,000.

Future minimum payments for all office and equipment leases as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 503,998
2024	110,788
2025	2,961
Total	<u>\$ 617,747</u>

Rent expense under these agreements was approximately \$549,000 and \$394,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 10 NOTES PAYABLE

In July 2013, the Agency entered into a 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, 2022 and 2021. 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 an 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. In February 2021, the SBA had formally forgiven the Agency's obligation under this PPP loan, and as such, the Agency has recognized approximately \$775,000 as forgiveness of debt, comprised of approximately \$768,000 of principal and \$7,000 of accrued interest, on the accompanying statement of activities for the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Agency's financial position.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 NOTES PAYABLE (CONTINUED)

Notes payable is comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</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
Total Notes Payable	500,000	500,000
Less: Debt Issuance Costs	<u>(7,749)</u>	<u>(7,991)</u>
Total Obligations, Net	492,251	492,009
Less: Current Portion	<u>-</u>	<u>-</u>
Total Obligations, Net - Noncurrent Portion	<u>\$ 492,251</u>	<u>\$ 492,009</u>

Interest expense for the years ended June 30, 2022 and 2021, was approximately \$17,000.

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 and automatically renews annually. During the year ended June 30, 2022 and 2021, the Agency did not have any draws on the LOC. At June 30, 2022 and 2021, the Agency did not have any outstanding balance under the LOC.

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

The Agency receives the majority of its funding from a limited number of funding sources including government (federal, state, and county) and United Way. Any significant reduction in funding from these sources, if this were to occur, could have a significant effect on the Agency's programs and activities.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 and 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, 2022.

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 3,940,619	\$ 2,623,142
Accounts Receivable:		
United Way Allocation, Current Portion	144,138	221,750
Grants Receivable, Current Portion	1,022,638	912,717
Lotus Society Pledges Receivable, Net, Current Portion	4,383	2,862
Other Receivables	<u>183,145</u>	<u>214,021</u>
Total	5,294,923	3,974,492
Less: Net Assets with Donor Restrictions Subject to Expenditures for Specific Purposes	(445,447)	(182,307)
Less: Net Assets - Board Appropriated for Capital Expenditures	<u>(333,664)</u>	<u>(333,664)</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u>\$ 4,515,812</u>	<u>\$ 3,458,521</u>