

SAFE ALLIANCE, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2021 AND 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2021, 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 4, 2021

SAFE ALLIANCE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 2,623,142	\$ 2,043,768
Beneficial Interest in Assets Held by Trustee	11,174	11,174
Accounts Receivable		
United Way	221,750	224,250
Grants	962,717	881,622
Lotus Society Pledges Receivable, Net	8,327	32,662
Other	214,021	106,613
Prepaid Expenses	192,440	38,007
Property and Equipment, Net	4,819,763	4,846,879
 Total Assets	 \$ 9,053,334	 \$ 8,184,975
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 14,854	\$ 134,338
Accrued Payroll and Benefits	125,187	137,274
Note Payable	492,009	1,260,167
Other Liabilities	101,003	31,300
Total Liabilities	733,053	1,563,079
 NET ASSETS		
Without Donor Restrictions	7,463,176	5,540,229
Without Donor Restrictions - Board Appropriated for Operating Reserves	333,664	333,664
With Donor Restrictions	523,441	748,003
Total Net Assets	8,320,281	6,621,896
 Total Liabilities and Net Assets	 \$ 9,053,334	 \$ 8,184,975

See accompanying Notes to Financial Statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
Donated Goods and Services	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	<u>7,331,845</u>	<u>1,525,493</u>	<u>8,857,338</u>
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	<u>1,750,055</u>	<u>(1,750,055)</u>	<u>-</u>
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	<u>5,775,479</u>	<u>-</u>	<u>5,775,479</u>
Supporting Services:			
Administrative	790,937	-	790,937
Fundraising	592,537	-	592,537
Total Supporting Services	<u>1,383,474</u>	<u>-</u>	<u>1,383,474</u>
Total Expenses	<u>7,158,953</u>	<u>-</u>	<u>7,158,953</u>
CHANGE IN NET ASSETS	1,922,947	(224,562)	1,698,385
Net Assets - Beginning of Year	<u>5,873,893</u>	<u>748,003</u>	<u>6,621,896</u>
NET ASSETS - END OF YEAR	<u>\$ 7,796,840</u>	<u>\$ 523,441</u>	<u>\$ 8,320,281</u>

See accompanying Notes to Financial Statements.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE 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 and 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
Revenue and Other Support	<u>5,384,448</u>	<u>1,371,670</u>	<u>6,756,118</u>
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	<u>1,608,877</u>	<u>(1,608,877)</u>	<u>-</u>
Total Revenue 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	<u>5,889,319</u>	<u>-</u>	<u>5,889,319</u>
Supporting Services:			
Administrative	649,382	-	649,382
Fundraising	557,043	-	557,043
Total Supporting Services	<u>1,206,425</u>	<u>-</u>	<u>1,206,425</u>
Total Expenses	<u>7,095,744</u>	<u>-</u>	<u>7,095,744</u>
CHANGE IN NET ASSETS	(102,419)	(237,207)	(339,626)
Net Assets - Beginning of Year	<u>5,976,312</u>	<u>985,210</u>	<u>6,961,522</u>
NET ASSETS - END OF YEAR	<u>\$ 5,873,893</u>	<u>\$ 748,003</u>	<u>\$ 6,621,896</u>

See accompanying Notes to Financial Statements.

SAFE ALLIANCE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,698,385	\$ (339,626)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	427,047	385,977
Amortization of Debt Issuance Costs	242	-
Forgiveness of Debt	(774,569)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(161,668)	116,191
Prepaid Expenses	(154,433)	15,048
Beneficial Interest in Assets Held by Trustee	-	983
Accounts Payable	(113,315)	21,959
Accrued Payroll and Benefits	(12,087)	15,369
Other Liabilities	69,703	(46,583)
Net Cash Provided by Operating Activities	979,305	169,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(399,931)	(150,097)
Net Cash Used by Investing Activities	(399,931)	(150,097)
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	579,374	787,621
Cash and Cash Equivalents - Beginning of Year	2,043,768	1,256,147
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,623,142	\$ 2,043,768
SUMMARY OF CASH AND CASH EQUIVALENTS		
Without Donor Restrictions	\$ 2,481,343	\$ 1,839,795
With Donor Restrictions	141,799	203,973
Total	\$ 2,623,142	\$ 2,043,768
SUPPLEMENTAL 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, 2021

	Victim Services	Administrative	Fundraising	Total
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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	<u>Victim Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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	<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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 AND 2020

NOTE 1 ORGANIZATION (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 colocated 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 year ended June 30, 2021, the Agency recognized approximately \$230,000 of revenues in the accompanying statement 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.

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

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020 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 \$2,594,000 and \$2,733,000 for the years ended June 30, 2021 and 2020, 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, 2021 AND 2020

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 not-for-profit entity.

Accounts Receivable

Accounts receivable include accounts receivable generated through program services provided, unconditional pledges, and amounts due under various grants. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates. Amortization of the discounts is included in contribution revenue.

Property and Equipment

Purchased property and equipment with a value of \$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.

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.

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, 2021 and 2020, 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.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services (Continued)

During the years ended June 30, 2021 and 2020, the Agency received occupancy rent credits in the amounts of approximately \$253,000 and \$258,000, 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, 2021 and 2020, the value of donated goods and services meeting the requirement for recognition in the financial statements as contributions and as expense was as follows:

	2021	2020
Donated Use of Facilities	\$ 337,146	\$ 281,305
Donated Professional Services	25,860	61,350
Donated Goods	32,936	127,774
Imputed Interest (See Note 10)	17,000	17,000
Total	<u>\$ 412,942</u>	<u>\$ 487,429</u>

Donated goods used for special events of approximately \$14,000 and \$109,000 for the years ended June 30, 2021 and 2020, 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.

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.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

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, 2021 and 2020, 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, 2021 and 2020.

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.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 4, 2021, the date the financial statements were available to be issued.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment, net at June 30, 2021 and 2020 is summarized as follows:

	2021	2020
Land	\$ 1,233,661	\$ 1,233,661
Land Improvements	279,227	279,227
Furniture, Fixtures, and Equipment	615,494	216,158
Leasehold Improvements	193,274	193,274
Computer Software	2,375	1,780
Building - Domestic Violence Shelter	5,931,976	5,931,976
Vehicles	11,000	11,000
Subtotal	<u>8,267,007</u>	<u>7,867,076</u>
Less: Accumulated Depreciation	<u>(3,447,244)</u>	<u>(3,020,197)</u>
Total	<u>\$ 4,819,763</u>	<u>\$ 4,846,879</u>

Total depreciation expense amounted to approximately \$427,000 and \$386,000 for the years ended June 30, 2021 and 2020, respectively.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 LOTUS SOCIETY PLEDGES RECEIVABLE, NET

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

	2021	2020
Due in Less than One Year	\$ 13,522	\$ 37,857
Due in Two to Five Years	5,465	5,465
Subtotal	18,987	43,322
Less: Allowance for Uncollectible Pledges	(10,660)	(10,660)
Pledges Receivable, Net	\$ 8,327	\$ 32,662

No net present value discount on pledges receivable was taken during 2021 or 2020.

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Restricted for Time:		
United Way	\$ 221,750	\$ 224,250
Grants and Pledges	100,290	350,000
Lotus Society Pledges	8,327	22,486
Restricted for Purpose:		
Grants	181,900	140,093
Other	407	407
Restricted in Perpetuity:		
United Family Services Endowment	1,860	1,860
Domestic Violence Shelter	8,907	8,907
Total	\$ 523,441	\$ 748,003

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
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NOTE 6 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions for the years ended June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Time Restrictions:		
United Way	\$ 446,000	\$ 448,500
Contributions and Grants	321,000	200,000
Lotus Society Pledges	203,817	214,148
Purpose Restrictions:		
Contributions and Grants	779,238	746,229
Total Net Assets Released from Restrictions	<u>\$ 1,750,055</u>	<u>\$ 1,608,877</u>

NOTE 7 SPECIAL EVENTS, NET

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

	<u>2021</u>	<u>2020</u>
Art with Heart:		
Revenue	\$ 4,753	\$ 212,037
Expenses	4,830	139,850
Net Revenue	<u>\$ (77)</u>	<u>\$ 72,187</u>
Annual Meeting:		
Revenue	\$ 205,312	\$ 185,467
Expenses	13,092	32,948
Net Revenue	<u>\$ 192,220</u>	<u>\$ 152,519</u>
Fighting for Women with Fashion:		
Revenue	\$ 99,067	\$ 135,697
Expenses	25,808	41,648
Net Revenue	<u>\$ 73,259</u>	<u>\$ 94,049</u>
Walk A Mile In Her Shoes:		
Revenue	\$ 95,143	\$ 62,717
Expenses	7,391	1,906
Net Revenue	<u>\$ 87,752</u>	<u>\$ 60,811</u>
Other:		
Revenue	\$ 62,129	\$ 112,477
Expenses	5,298	1,407
Net Revenue	<u>\$ 56,831</u>	<u>\$ 111,070</u>
Total:		
Revenue	\$ 466,404	\$ 708,395
Expenses	56,419	217,759
Net Revenue	<u>\$ 409,985</u>	<u>\$ 490,636</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, 2021 AND 2020

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, 2021 and 2020 were approximately \$79,000 and \$73,000, 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 \$84,000 and \$23,000 for the years ended June 30, 2021 and 2020, respectively.

The Agency leases office space under a ten-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 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, 2021 and 2020, 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. For the years ended June 30, 2021 and 2020, 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, 2021, the lease required monthly payments of approximately \$24,000.

SAFE ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020, the lease agreement required monthly payments of approximately \$2,000.

Future minimum payments for all office and equipment leases as of June 30, 2021 are as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2022	\$ 536,252
2023	396,695
2024	108,148
2025	2,961
Total	<u>\$ 1,044,056</u>

Rent expense under these agreements was approximately \$394,000 and \$273,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020. 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. The outstanding balance on the Note at June 30, 2020 was approximately \$768,000. 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, 2021 AND 2020

NOTE 10 NOTES PAYABLE (CONTINUED)

Notes payable is comprised of the following at June 30:

<u>Description</u>	<u>2021</u>	<u>2020</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 (forgiven in 2021)	-	768,400
Total Notes Payable	500,000	1,268,400
Less: Debt Issuance Costs	(7,991)	(8,233)
Total Obligations, Net	492,009	1,260,167
Less: Current Portion	-	(338,005)
Total Obligations, Net - Noncurrent Portion	<u>\$ 492,009</u>	<u>\$ 922,162</u>

Interest expense for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Agency did not have any draws on the LOC. At June 30, 2021 and 2020, 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, 2021 AND 2020

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, 2021.

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

	2021	2020
Cash and Cash Equivalents	\$ 2,623,142	\$ 2,043,768
Accounts Receivable		
United Way Allocation, Current Portion	221,750	224,250
Grants Receivable, Net, Current Portion	912,717	881,622
Lotus Society Pledges Receivable, Net, Current Portion	2,862	27,197
Other Receivables	214,021	106,613
Total	<u>3,974,492</u>	<u>3,283,450</u>
Less: Net Assets with Donor Restrictions Subject to Expenditures for Specific Purposes	(182,307)	(140,500)
Less: Net Assets - Board Appropriated for Operating Reserves	<u>(333,664)</u>	<u>(333,664)</u>
Total Net Financial Assets Available to Meet Liquidity Needs	<u>\$ 3,458,521</u>	<u>\$ 2,809,286</u>