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Financial Statements  
(Together with Independent Auditors' Report)

Years Ended June 30, 2008 and 2007



**SAFE HORIZON, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED JUNE 30, 2008 AND 2007**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Safe Horizon, Inc.

We have audited the accompanying statement of financial position of Safe Horizon, Inc. ("Safe Horizon") as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Safe Horizon's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Safe Horizon as of and for the year ended June 30, 2007 were audited by other auditors whose report dated January 2, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Horizon, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth & Shron LLP*

New York, NY  
December 19, 2008

**SAFE HORIZON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2B and 14)	\$ 949,774	\$ 521,576
Grants receivable (Notes 2E, 2I and 3)	10,597,352	6,745,636
Contributions receivable, net (Notes 2D, 2E and 4)	3,038,438	2,089,320
Prepaid expenses and other assets	798,145	965,440
Restricted cash (Notes 2B, 6 and 14)	8,162,670	5,369,127
Investments, at market (Notes 2F and 5)	11,645,163	14,214,910
Property and equipment, net (Notes 2H and 7)	2,973,682	2,616,511
Beneficial interest in perpetual trusts (Notes 2G and 11B)	566,040	611,911
<b>TOTAL ASSETS</b>	<b>\$ 38,731,264</b>	<b>\$ 33,134,431</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 2K)	\$ 8,870,631	\$ 5,461,429
Bank lines of credit (Note 8)	3,400,000	4,500,000
Due to grantor (Note 2I)	1,931,480	1,503,102
Restitution and client assistance payable (Note 6)	8,162,670	5,369,127
<b>TOTAL LIABILITIES</b>	<b>22,364,781</b>	<b>16,833,658</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 13)</b>		
<b>NET ASSETS (Note 2C)</b>		
Unrestricted	13,385,210	12,927,835
Temporarily restricted (Note 11A)	2,134,725	2,505,519
Permanently restricted (Note 11B)	846,548	867,419
<b>TOTAL NET ASSETS</b>	<b>16,366,483</b>	<b>16,300,773</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 38,731,264</b>	<b>\$ 33,134,431</b>

**SAFE HORIZON, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	Year Ended June 30, 2008			Year Ended June 30, 2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2007
<b>SUPPORT AND REVENUE:</b>								
Grants income	\$ 43,198,998	\$ -	\$ -	\$ 43,198,998	\$ 38,952,473	\$ -	\$ -	\$ 38,952,473
Contributions	1,940,984	4,720,391	25,000	6,686,375	1,640,892	3,385,672	45,000	5,071,564
In-kind contributions (Notes 2L and 9)	1,308,715	-	-	1,308,715	2,253,229	-	-	2,253,229
Special events (net of direct expenses of \$738,033 and \$921,015 in 2008 and 2007, respectively)	1,000,595	-	-	1,000,595	1,370,507	-	-	1,370,507
Investment income (Notes 2F and 5)	(514,706)	12,482	-	(502,224)	1,897,155	21,441	-	1,918,596
Fee income (Note 2J)	2,104,676	-	(45,871)	2,104,676	2,081,228	-	-	2,081,228
(Loss) gain on beneficial interest in perpetual trust (Note 2G)	579,341	-	-	(45,871)	-	-	58,389	58,389
Miscellaneous income	579,341	-	-	579,341	139,832	-	-	139,832
Net assets released from restrictions (Note 11A)	5,103,667	(5,103,667)	-	-	3,295,089	(3,295,089)	-	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>54,722,270</b>	<b>(370,794)</b>	<b>(20,871)</b>	<b>54,330,605</b>	<b>51,630,405</b>	<b>112,024</b>	<b>103,389</b>	<b>51,845,818</b>
<b>EXPENSES: (Note 2M)</b>								
<b>Program Services:</b>								
Domestic violence and hotline	22,900,254	-	-	22,900,254	19,145,732	-	-	19,145,732
Community and criminal justice	11,491,974	-	-	11,491,974	12,184,021	-	-	12,184,021
Child, adolescent and mental health treatment	9,424,724	-	-	9,424,724	9,045,802	-	-	9,045,802
	43,816,952	-	-	43,816,952	40,375,555	-	-	40,375,555
<b>Supporting Services:</b>								
Management and general	8,009,512	-	-	8,009,512	7,960,465	-	-	7,960,465
Fundraising	2,438,431	-	-	2,438,431	2,241,623	-	-	2,241,623
	10,447,943	-	-	10,447,943	10,202,088	-	-	10,202,088
<b>TOTAL EXPENSES</b>	<b>54,264,895</b>	<b>-</b>	<b>-</b>	<b>54,264,895</b>	<b>50,577,643</b>	<b>-</b>	<b>-</b>	<b>50,577,643</b>
<b>CHANGE IN NET ASSETS</b>	<b>457,375</b>	<b>(370,794)</b>	<b>(20,871)</b>	<b>65,710</b>	<b>1,052,762</b>	<b>112,024</b>	<b>103,389</b>	<b>1,268,175</b>
Net assets - beginning of year	12,927,835	2,505,519	867,419	16,300,773	11,875,073	2,393,495	764,030	15,032,598
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 13,385,210</b>	<b>\$ 2,134,725</b>	<b>\$ 846,548</b>	<b>\$ 16,366,483</b>	<b>\$ 12,927,835</b>	<b>\$ 2,505,519</b>	<b>\$ 867,419</b>	<b>\$ 16,300,773</b>

The accompanying notes are an integral part of these financial statements.

**SAFE HORIZON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(With Comparative Totals for 2007)

	For the Year Ended June 30, 2008					Total 2007		
	Program Services		Supporting Services					
	Domestic Violence and Hotline	Community and Criminal Justice	Child, Adolescent and Mental Health Treatment	Total Program Services	Management and General	Fundraising	Supporting Services	Total 2008
Salaries	\$ 8,375,542	\$ 7,161,074	\$ 4,738,992	\$ 20,275,608	\$ 3,930,596	\$ 973,001	\$ 4,903,597	\$ 25,179,205
Payroll taxes and employee benefits (Note 10)	1,592,953	1,434,517	948,619	3,976,089	716,872	169,948	886,820	4,862,909
<b>Total Salaries and Related Costs</b>	9,968,495	8,595,591	5,687,611	24,251,697	4,647,468	1,142,949	5,790,417	30,042,114
Professional fees (Notes 2L and 9)	573,107	325,524	933,617	1,832,248	885,756	636,950	1,522,706	3,354,954
Client assistance	528,450	325,632	536,283	1,390,365	-	-	-	1,390,365
Contracted DOVE services	4,950,966	-	-	4,950,966	-	-	95,669	4,950,966
Program materials and other publications	111,432	94,594	378,392	584,418	80,025	15,644	86,621	680,087
Staff development and meetings	143,242	105,095	193,009	441,346	53,825	32,796	99,703	527,967
Insurance	193,817	146,098	96,243	436,158	80,839	18,864	983,084	535,861
Occupancy (Notes 2L, 9 and 12)	4,132,972	578,485	1,044,105	5,755,562	836,532	146,552	193,296	6,738,646
Furniture and equipment	93,895	57,665	91,858	243,418	181,184	12,112	436,714	495,501
Supplies, photocopying and delivery	152,608	185,148	82,273	420,029	86,007	137,243	223,250	643,279
Equipment rentals and maintenance	143,899	208,741	61,517	414,157	59,191	6,861	66,052	480,209
Public outreach	787,836	95	-	787,931	1,566	133,030	134,596	922,527
Telephone	396,125	218,824	131,775	746,724	92,779	16,677	109,456	856,180
Temporary help	139,316	51,337	4,185	194,838	381,117	60,385	441,502	636,340
Depreciation and amortization	482,758	566,596	154,244	1,203,598	183,813	11,298	195,111	1,398,709
Interest	61,364	30,652	25,170	117,186	24,003	9,001	33,004	241,000
Miscellaneous	39,972	1,897	4,442	46,311	415,407	58,069	473,476	531,333
<b>TOTAL EXPENSES</b>	\$ 22,900,254	\$ 11,491,974	\$ 9,424,724	\$ 43,816,952	\$ 8,009,512	\$ 2,438,431	\$ 10,447,943	\$ 54,264,895
								\$ 50,577,643

The accompanying notes are an integral part of these financial statements.

**SAFE HORIZON, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	For the Year Ended June 30, 2007							
	Program Services			Supporting Services				
	Domestic Violence and Hotline	Community and Criminal Justice	Child, Adolescent and Mental Health Treatment	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2007
Salaries	\$ 7,773,540	\$ 7,375,799	\$ 4,046,760	\$ 19,196,099	\$ 4,380,701	\$ 709,052	\$ 5,089,753	\$ 24,285,852
Payroll taxes and employee benefits (Note 10)	1,379,879	1,751,730	945,772	4,077,381	911,193	147,484	1,058,677	5,136,058
<b>Total Salaries and Related Costs</b>	<b>9,153,419</b>	<b>9,127,529</b>	<b>4,992,532</b>	<b>23,273,480</b>	<b>5,291,894</b>	<b>856,536</b>	<b>6,148,430</b>	<b>29,421,910</b>
Professional fees (Notes 2L and 9)	516,084	325,655	705,978	1,547,717	604,115	900,362	1,504,477	3,052,194
Client assistance	437,068	294,382	370,521	1,101,971	205	-	205	1,102,176
Contracted DoVE services	1,527,000	-	-	1,527,000	-	-	-	1,527,000
Program materials and other publications	124,851	116,079	365,480	606,410	47,884	14,166	62,050	668,460
Staff development and meetings	84,744	96,270	104,231	285,245	95,633	42,781	138,414	423,659
Insurance	162,070	154,972	79,473	396,515	92,551	15,543	108,094	504,609
Occupancy (Notes 2L, 9 and 12)	3,723,609	431,295	1,998,425	6,153,329	407,160	53,474	460,634	6,613,963
Furniture and equipment	113,177	107,766	147,015	367,958	126,811	732	127,543	495,501
Supplies, photocopying and delivery	103,871	206,968	84,412	395,251	98,995	194,352	293,347	688,598
Equipment rentals and maintenance	167,592	93,148	61,621	322,361	92,586	8,633	101,219	423,580
Public outreach	1,721,859	250,760	-	1,972,619	325	56,728	57,053	2,029,672
Telephone	387,453	292,458	103,496	783,407	97,052	15,817	112,869	896,276
Temporary help	272,544	36,075	27,470	336,089	271,358	27,165	298,523	634,612
Depreciation and amortization	427,643	643,517	-	1,071,160	237,634	14,306	251,940	1,323,100
Interest	-	-	-	-	241,000	-	241,000	241,000
Miscellaneous	222,748	7,147	5,148	235,043	255,262	41,028	296,290	531,333
<b>TOTAL EXPENSES</b>	<b>\$ 19,145,732</b>	<b>\$ 12,184,021</b>	<b>\$ 9,045,802</b>	<b>\$ 40,375,555</b>	<b>\$ 7,960,465</b>	<b>\$ 2,241,623</b>	<b>\$ 10,202,088</b>	<b>\$ 50,577,643</b>

The accompanying notes are an integral part of these financial statements.

**SAFE HORIZON, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 65,710	\$ 1,268,175
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	1,398,709	1,323,100
Amortization of pledge discount	49,516	-
Allowance for doubtful accounts	50,000	-
Contributed securities	(393,939)	(1,245,969)
Loss (gain) on beneficial interest in perpetual trusts	45,871	(58,389)
Realized gain on sale of investments	(460,937)	(1,071,712)
Unrealized loss (gain) on investments	1,722,246	(71,497)
Permanently restricted contributions	20,871	(103,389)
<b>Sub-total</b>	2,498,047	40,319
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants receivable	(3,851,716)	1,236,905
Contributions receivable	(1,048,634)	(622,435)
Prepaid expenses and other assets	167,295	(254,202)
Restricted cash	(2,793,543)	(316,830)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	3,409,202	(2,297,902)
Deferred revenue/due to grantor	428,378	40,165
Restitution and client assistance payable	2,793,543	319,963
<b>Net Cash Provided (Used) by Operating Activities</b>	1,602,572	(1,854,017)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(17,287,433)	(10,745,847)
Proceeds from sale of investments	18,989,810	11,927,188
Purchase of property and equipment	(1,755,880)	(1,438,358)
<b>Net Cash Used by Investing Activities</b>	(53,503)	(257,017)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bank line of credit	3,200,000	6,150,000
Repayments on borrowings from bank line of credit	(4,300,000)	(4,150,000)
Proceeds from permanently restricted contributions	(20,871)	103,389
<b>Net Cash (Used) Provided by Financing Activities</b>	(1,120,871)	2,103,389
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	428,198	(7,645)
Cash and cash equivalents - beginning of the year	521,576	529,221
<b>CASH AND CASH EQUIVALENTS- END OF YEAR</b>	\$ 949,774	\$ 521,576
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 150,190	\$ 241,000

The accompanying notes are an integral part of these financial statements.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Safe Horizon, Inc. ("Safe Horizon") was organized under the not-for-profit corporation law of the State of New York and is qualified as a public foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Safe Horizon's mission is to provide support, prevent violence and promote justice for victims of crime and abuse, their families and communities. Safe Horizon receives support from city, state and federal agencies, and contributions from corporations, foundations and individuals. Substantially all services are performed in New York City.

Safe Horizon accomplishes their mission through the following major programs:

- **Domestic Violence and Hotline Programs** – Safe Horizon operates three 24-hour hotlines - The New York City Domestic Violence Hotline, Crime Victims Hotline, Rape and Sexual Assault Hotline. For victims of violence and their families, a phone call to one of our hotlines serves as a gateway to a range of services, including emergency shelters for domestic violence victims. Safe Horizon is New York City's largest provider of domestic violence residences with more than 500 beds available throughout the five boroughs. Safe Horizon operates both emergency shelters for crisis situations and transitional housing where women move to continue services and to plan for a future free from violence. The shelters offer safety and comprehensive services such as: counseling, housing assistance, life skills and parenting courses, childcare, health referrals, and Job readiness programs, including computer training, high school equivalency classes, and workshops covering such topics as resumé development, interviewing, and conflict resolution.
- **Community and Criminal Justice Programs** – Safe Horizon offers services to victims of crime and abuse, including victims of domestic violence, sexual assault, stalking, trafficking, and families of homicide victims. Staff located at community programs, precincts and court programs provide services that include crisis intervention, support, assistance with understanding and navigating the criminal justice system, housing and public systems; and individual and group education about victimization and coping skills. Case management services include advocacy; court accompaniment; practical assistance including food, clothing, emergency telephones and shelter; and support services through support groups, safety assessment and risk management, and one-on-one short-term counseling. Staff provides information and linkages to public entitlement programs and community-based organizations. In addition, Safe Horizon is a recognized national leader in working against human trafficking, providing direct service and national training and technical assistance. Safe Horizon also operates the largest batterer's education program in the state, holding men accountable for their domestic violence offenses each year.
- **Child, Adolescent and Mental Health Treatment Programs** – Safe Horizon has developed comprehensive programs for children and adolescents who have experienced crime, abuse and/or trauma, including specific programs for children who have been sexually or severely physically abused, homeless youth, and school-based programs for children in middle and high school. Safe Horizon is the pioneer of the urban Child Advocacy Center model that co-locates a multi-disciplinary team of experts including professionals from the NYPD, District Attorney's Office, Administration for Children's Services, Medical Providers and Safe Horizon. The Child Advocacy Centers provide coordinated services that expedite the investigation and prosecution of child abuse cases while ensuring victims and impacted family members receive immediate and effective array of support. Streetwork reaches youth through a harm-reduction model drop-in center and emergency shelter program for homeless youth. Serving clients ages 13 to 23, Streetwork provides legal, medical and psychiatric services, individual and group counseling, case management, advocacy, emergency and transitional housing, GED preparation and support, assistance obtaining Medicaid and other benefits, hot meals, showers, clothing, acupuncture, yoga, HIV prevention counseling, and parenting groups, in a safe, non-judgmental setting.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES (continued)**

Safe Harbor, a safe room in middle and high schools, is a model for school-based violence prevention education and offers services in schools addressing domestic and sexual violence.

The Safe Horizon Counseling Center is the only New York State licensed out-patient mental health treatment clinic that specializes in providing services for adult and child victims of crime, abuse and/or trauma. The Counseling Center is the central hub within Safe Horizon for the provision of expert mental health and psychiatric treatment services. A range of services is provided including intake and assessment, individual, couple, family and group counseling, psychiatric evaluations/consultations and medication management.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Safe Horizon's financial statements have been prepared on the accrual basis of accounting. Safe Horizon adheres to accounting principles generally accepted in the United States of America.
- B. Safe Horizon considers all highly liquid investments with maturities of 90 days or less when acquired, to be cash and cash equivalents, except for cash and money market funds contained in Safe Horizon's investment portfolio.
- C. Safe Horizon maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of Safe Horizon's operations over which the Board of Directors has discretionary control.
  - Temporarily Restricted – represents assets resulting from contributions and other inflows of assets whose use by Safe Horizon is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Safe Horizon pursuant to those stipulations. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. In addition, contributions of unconditional promised to give with payments due in future periods is reported as temporarily restricted contributions unless the donor expressly stipulates, or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the current period.
  - Permanently Restricted – represents those resources subject to donor imposed stipulations that they be maintained intact in perpetuity by Safe Horizon. The donors of these assets permit the use of all the income earned on related investments, and the net capital appreciation thereon, for restricted purposes.
- D. Unconditional promises to give (pledges) are recorded as income when Safe Horizon is formally notified of the grants or contributions by the respective donors. 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-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.
- E. Safe Horizon recorded an allowance for doubtful accounts for grants receivable and contributions receivable of \$0 and \$50,000, respectively as of June 30, 2008. No allowance for doubtful accounts is provided for receivables as of June 30, 2007. Such estimate is based on management's evaluation of the creditworthiness of its donors and grantors, the aged basis of its receivables from government sources, as well as current economic conditions and historical information.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- F. Investments are reported at quoted market value. Donated securities are recorded at their fair market value on the date received using an average of the high and low price on the date received. Investment income is recorded as revenue in the unrestricted net asset class unless restricted by the donor.
- G. Safe Horizon has been named as the beneficiary of two perpetual trusts. The investment principal remains part of the trusts and are not the property of Safe Horizon. Therefore, Safe Horizon has no right to the trust principal until after the death of the donor and other beneficiaries. Because Safe Horizon will receive a perpetual stream of income from the trusts, the projected contributions are classified as part of permanently restricted net assets at June 30, 2008 and 2007. Given the nature of the promises as well as the inability to compute the present value of the income stream, the beneficial interests have been recorded on the statements of financial position at the fair market value of Safe Horizon's proportionate share of the trusts. The fluctuation in the market value of the trusts from year to year is included in the statements of activities of the permanently restricted net assets.
- H. Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Safe Horizon capitalizes all property and equipment having a cost of \$1,000 or more and a useful life of at least two years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Furniture, fixtures, and equipment may be revertible to the respective grantor at the termination of a grant. As of June 30, 2008 and 2007, the net book value of fixed assets revertible to the respective grantor amounted to approximately \$659,000 and \$870,000, respectively.

Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

- I. Principal support for the programs operated by Safe Horizon is derived from various Federal, New York State and New York City governmental sources. Safe Horizon recognizes revenue from these sources when the contractual obligations are met. Cost recovery occurs when the grants awarded provide for reimbursement of budgeted expenditures incurred within the grant period. The funds are received in either predetermined installments or in increments based on expenditures for the period. Upon termination, unexpended cash funds received and revertible equipment purchased are returnable to the grantor. Accordingly, grant income under these awards is recognized in amounts equal to budgeted expenditures incurred. Funds received under these grants are subject to audit.

Unreimbursed expenditures on programs funded under contractual agreements, when such expenditures are less than contract amounts but more than cash advances, are reflected as grants receivable. Cash advances in excess of unexpended funds are reflected as due to grantor.

- J. Fee income is recognized and recorded at the time a service is performed. Such services include counseling, legal services, third-party medical reimbursements, and client fees.
- K. Safe Horizon leases real property under operating leases expiring at various dates in the future. Since the rent payments increase over time, Safe Horizon records an adjustment to rent expense each year to reflect its straight-lining policy. The annual adjustment recorded for the years ended June 30, 2008 and 2007 amounted to \$720,000 and \$309,000, respectively. Straight-lining of rent gives rise to a timing difference that is reflected as accounts payable and accrued expenses in the accompanying statements of financial position.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- L. Safe Horizon received noncash contributions consisting primarily of contributed facility and services (legal and public outreach services). The contributed facility and services have been valued at the standard market rates that would have been incurred by Safe Horizon to obtain them and are reported as both revenue and expense in the accompanying financial statements because they meet the criteria as prescribed by accounting principles generally accepted in the United States of America.
- M. Because Safe Horizon is a multi-program/multi-funded organization, certain costs have been allocated between program and supporting functions as determined by management. Such allocations conform to those made in seeking funds from third party sources.
- N. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.
- O. Certain line items in the June 30, 2007 financial statements have been reclassified to conform to the June 30, 2008 presentation.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable due under governmental contracts, grants and entitlements consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
New York City agencies	\$ 9,033,953	\$ 4,877,145
New York State agencies	1,079,660	1,268,755
Federal agencies	120,828	203,893
Other	<u>362,911</u>	<u>395,843</u>
	<u>\$ 10,597,352</u>	<u>\$ 6,745,636</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Amount due in less than one year	\$ 1,643,431	\$ 2,089,320
Amount due from one to five years	<u>1,494,523</u>	<u>-</u>
	3,137,954	2,089,320
Less: Unamortized discount to present value	49,516	-
Allowance for doubtful accounts	<u>50,000</u>	<u>-</u>
	<u>\$ 3,038,438</u>	<u>\$ 2,089,320</u>

The pledges to be received after one year are discounted to fair value using an interest rate of 2.92% for the year ended June 30, 2008. Subsequently, the amortization of the discount is reflected as additional contribution revenue.

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**NOTE 5 – INVESTMENTS:**

Investments consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
U.S. Treasury bills	\$ 11,221,328	\$ -
Common stocks	220,982	8,108,119
Mutual funds (primarily equities and fixed income)	202,853	6,060,769
Money market funds	<u>-</u>	<u>46,022</u>
Total	<u>\$ 11,645,163</u>	<u>\$ 14,214,910</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment income consists of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 807,075	\$ 828,437
Unrealized (loss) gain on investments	(1,722,246)	71,497
Realized gain on sale of investments	<u>460,937</u>	<u>1,071,712</u>
	(454,224)	1,971,646
Less: Investment management fees	<u>(47,990)</u>	<u>(53,050)</u>
	<u>\$ (502,224)</u>	<u>\$ 1,918,596</u>

**NOTE 6 – RESTRICTED CASH**

Restricted cash is restricted for the payment of liabilities for restitution and client assistance. Safe Horizon acts as an agent for the courts to collect funds from perpetrators and to disburse to victims' court-awarded restitution proceeds.

In addition, Safe Horizon acts as an agent for certain donors, principally the September 11th Fund, formed by the New York Community Trust and The United Way of New York City, to provide direct financial assistance from the donors' contributions to those directly affected by the events of September 11th. Recipients of the funds include displaced workers, displaced residents, injured individuals and family members of those killed or injured. For the years ended June 30, 2008 and 2007, Safe Horizon distributed approximately \$323,000 and \$450,000, respectively. As of June 30, 2008, this program has ended.

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**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 9,020,681	\$ 8,644,644	2-3 years
Furniture and fixtures	2,621,733	2,592,481	5 years
Leasehold improvements	<u>7,364,062</u>	<u>6,013,471</u>	5 years or remaining lease term
 Total cost	 19,006,476	 17,250,596	
Less: accumulated depreciation and amortization	<u>(16,032,794)</u>	<u>(14,634,085)</u>	
Net book value	<u>\$ 2,973,682</u>	<u>\$ 2,616,511</u>	

Depreciation and amortization expense amounted to \$1,398,709 and \$1,323,100 for the years ended June 30, 2008 and 2007, respectively.

Included in leasehold improvements are construction costs of approximately \$1.2 million for two program sites that are being renovated and improved as of June 30, 2008. One of the projects has been completed in October 2008 for a total cost of approximately \$3 million. The estimated cost to complete the other project is \$2.1 million and the approximated completion date is December 2008.

**NOTE 8 – BANK LINES OF CREDIT**

Safe Horizon has two lines of credit with a bank. The first is for \$6,000,000 with a floating interest rate equal to either bank's prime rate or .9% above the 30 days Libor rate (3.58% as of June 30, 2008). This line will expire on May 1, 2010 and is secured by fair value of Safe Horizon's investments. There were outstanding borrowings of \$3,400,000 and \$4,500,000 as of June 30, 2008 and 2007, respectively. As of December 19, 2008, the outstanding borrowings amounted to \$5,800,000.

The second is an unsecured line for \$6,000,000 which expires on January 2, 2009. Borrowings bear interest at a floating rate equal to either prime rate or 2.4% over 30 days LIBOR rate (5.08% as of June 30, 2008). There were no outstanding borrowing as of June 30, 2008 and 2007. In addition, as of December 19, 2008, there was no borrowing.

As of October 1, 2008, both the secured and unsecured lines were increased to \$8,000,000 and \$7,000,000, respectively.

Interest expense on borrowings amounted to \$150,190 and \$241,000 for the years ended June 30, 2008 and 2007, respectively.

**NOTE 9 – IN-KIND CONTRIBUTIONS**

For the years ended June 30, 2008 and 2007, Safe Horizon received \$51,600 and \$41,500, respectively, in contributed legal services. The legal services are for the Domestic Violence Law Project which provides representation to low-income and indigent victims of domestic violence in orders of protection, custody, support, and divorce proceedings and the Immigration Law Project which provides free and low cost services to victims of crime, torture and abuse in immigration proceedings. In addition, Safe Horizon received contributed services related to public outreach, totaling to approximately \$746,000 and \$1,707,000 respectively. A substantial number of volunteers have donated significant amounts of time in relation to Safe Horizon's program services and other activities. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the statements of activities.

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Further, as of June 30, 2008 and 2007 rent expense amounted to \$512,000 and \$504,000, respectively. Such rent was recorded as a contribution in-kind which represents rent-free occupancy of the premises located at 2 Lafayette Street, New York, New York.

**NOTE 10 – PENSION PLAN**

Safe Horizon maintains a defined contribution plan which covers all employees with at least one year of service and 1,000 hours of creditable time who elect to participate in a voluntary contribution 403(b) plan. Contributions amounted to approximately \$573,000 and \$555,000 for the years ended June 30, 2008 and 2007, respectively.

**NOTE 11 – NET ASSETS**

A. Temporarily restricted net assets are available for the following purposes as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Purpose restricted:		
Domestic violence programs	\$ 199,027	\$ 111,582
Streetwork and youth programs	535,136	1,031,628
Sexual assault and child advocacy programs	828,411	631,508
Other	<u>572,151</u>	<u>730,801</u>
	<u>\$ 2,134,725</u>	<u>\$ 2,505,519</u>

For the years ended June 30, 2008 and 2007, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2008</u>	<u>2007</u>
Purpose restrictions accomplished:		
September 11 <sup>th</sup> program	\$ -	\$ 360,620
Domestic violence programs	145,817	405,077
Criminal justice programs	277,484	224,916
Streetwork and youth programs	2,509,491	1,259,394
Sexual assault and child advocacy programs	1,002,962	859,588
Other	<u>1,167,913</u>	<u>185,494</u>
	<u>\$ 5,103,667</u>	<u>\$ 3,295,089</u>

B. Permanently restricted net assets consist of endowments, the income of which is temporarily restricted for certain program services. The principal balances cannot be used for any purpose without the prior consent of the donor or the advisory board of the donor.

Permanently restricted net assets also include Safe Horizon's share of two perpetual trusts (see Note 2G).

Permanently restricted net assets consist of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Endowment	\$ 280,508	\$ 255,508
Perpetual trusts	<u>566,040</u>	<u>611,911</u>
	<u>\$ 846,548</u>	<u>\$ 867,419</u>

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**NOTE 12 – RELATED PARTY**

Safe Horizon performs central management and administrative functions for the Houston Housing Development Fund Corporation (the "Corporation"), in the same manner as Safe Horizon provides services for its other projects. Safe Horizon charged the Corporation a fixed annual management fee of \$20,000 for the fiscal years ended June 30, 2008 and 2007. In addition, Safe Horizon rents from the Corporation all its available unit at a fixed price of \$48,000 per annum.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

In most instances, grants are subject to audits by city, state and federal auditors, and costs charged grantors may be adjusted as a result of an audit. Safe Horizon believes that no material provision is required for cost adjustments.

Safe Horizon is a party to various lawsuits or complaints generally arising in the ordinary course of business. Safe Horizon believes it has adequate insurance to cover any material damages and, accordingly, such litigation will not have a material adverse effect on its financial condition.

Safe Horizon is obligated under operating leases for the rental of premises and certain office equipment. The lease has an escalation clause related to increases in rent and taxes

Future minimum lease payments in each of the five years subsequent to June 30, 2008 and thereafter are as follows:

2009	\$ 4,138,570
2010	3,521,226
2011	3,407,609
2012	2,663,610
2013	1,037,746
Thereafter	<u>5,877,019</u>
	<u>\$ 20,645,781</u>

Rent expense for the years ended June 30, 2008 and 2007 amounted to \$\$4,734,955 and \$4,682,275, respectively, and is included in occupancy expenses in the accompanying financial statements.

**NOTE 14 – CONCENTRATIONS**

Safe Horizon maintains cash and cash equivalents in major financial institutions. Financial instruments that potentially subject Safe Horizon to a concentration of credit risk include cash accounts with a major bank that exceeded the FDIC insurance limits (\$100,000) by approximately \$10,614,000 and \$5,600,000 as of June 30, 2008 and 2007, respectively. Such amounts include outstanding checks.