



FINANCIAL STATEMENTS  
(TOGETHER WITH INDEPENDENT AUDITORS' REPORT)  
YEARS ENDED JUNE 30, 2011 AND 2010

**SAFE HORIZON, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEAR ENDED JUNE 30, 2011 AND 2010**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Safe Horizon, Inc.

We have audited the accompanying statements of financial position of Safe Horizon, Inc. ("Safe Horizon") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Marks Paneth & Shron LLP*

New York, NY  
January 9, 2012

**SAFE HORIZON, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2B and 14)	\$ 1,451,563	\$ 3,436,124
Grants receivable, net (Notes 2E, 2J and 3)	11,966,786	9,503,115
Contributions receivable, net (Notes 2D, 2E and 4)	1,696,261	1,650,681
Prepaid expenses and other assets	606,032	586,632
Restricted cash (Notes 2B, 6 and 14)	12,200,195	9,943,155
Investments (Notes 2F, 2G, 5 and 15)	10,455,756	10,282,978
Property and equipment, net (Notes 2I and 7)	3,639,070	3,589,498
Beneficial interest in perpetual trusts (Notes 2H and 11B)	584,021	502,873
<b>TOTAL ASSETS</b>	<b>\$ 42,599,684</b>	<b>\$ 39,495,056</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses (Note 2L)	\$ 7,278,094	\$ 6,592,967
Bank lines of credit (Note 8)	1,500,000	2,400,000
Due to grantor (Note 2J)	1,228,696	1,125,646
Restitution and client assistance payable (Note 6)	12,200,195	9,943,155
<b>TOTAL LIABILITIES</b>	<b>22,206,985</b>	<b>20,061,768</b>
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 13)		
<b>NET ASSETS</b> (Notes 2C and 11)		
Unrestricted	16,238,688	16,127,215
Temporarily restricted (Notes 11A and 11C)	3,289,482	2,522,692
Permanently restricted (Notes 11B and 11C)	864,529	783,381
<b>TOTAL NET ASSETS</b>	<b>20,392,699</b>	<b>19,433,288</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 42,599,684</b>	<b>\$ 39,495,056</b>





SAFE HORIZON, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

	Program Services				Supporting Services			Total 2010
	Domestic Violence and Hotline	Community and Criminal Justice	Child, Adolescent and Mental Health Treatment	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 7,738,972	\$ 7,214,060	\$ 4,645,736	\$ 19,598,768	\$ 4,152,789	\$ 712,118	\$ 4,864,907	\$ 24,463,675
Payroll taxes and employee benefits (Note 10)	2,098,632	1,334,557	818,285	4,251,474	734,500	119,870	854,370	5,105,844
<b>Total Salaries and Related Costs</b>	9,837,604	8,548,617	5,464,021	23,850,242	4,887,289	831,988	5,719,277	29,569,519
Professional fees (Notes 2M and 9)	343,068	269,607	1,009,022	1,621,697	255,546	113,944	369,490	1,991,187
Client assistance	416,687	225,819	288,860	931,366	-	-	-	931,366
Contracted DoVE services	2,571,190	-	-	2,571,190	-	-	-	2,571,190
Program materials and other publications	66,242	64,010	231,148	361,400	30,372	16,728	47,100	408,500
Staff development and meetings	44,560	57,560	128,170	230,290	42,442	38,390	80,832	311,122
Insurance	134,646	137,612	87,948	360,206	69,485	10,877	80,362	440,568
Occupancy (Notes 2L, 9, 12 and 13)	4,369,307	660,820	1,992,602	7,022,729	381,341	143,252	524,593	7,547,322
Furniture and equipment	794,356	210,495	62,334	1,067,185	106,695	20,675	127,370	1,194,555
Supplies, photocopying and delivery	92,811	118,082	87,411	298,304	67,276	68,289	135,565	433,869
Equipment: rentals and maintenance	307,952	174,000	92,261	574,213	113,565	4,920	118,485	692,698
Public outreach	19,827	-	-	19,827	-	45,069	45,069	64,896
Telephone	295,436	173,140	130,694	599,270	65,949	10,845	76,794	676,064
Temporary help	53,668	167,609	-	221,277	71,609	-	71,609	292,886
Depreciation and amortization	393,970	231,377	732,070	1,357,417	64,226	23,030	87,256	1,444,673
Interest	25,981	3,836	-	29,817	6,116	2,294	8,410	38,227
Miscellaneous	224,496	2,731	10,685	237,912	251,170	60,325	311,495	549,407
<b>Total OTPS</b>	10,154,197	2,496,698	4,853,205	17,504,100	1,525,792	558,638	2,084,430	19,588,530
<b>TOTAL EXPENSES</b>	\$ 19,991,801	\$ 11,045,315	\$ 10,317,226	\$ 41,354,342	\$ 6,413,081	\$ 1,390,626	\$ 7,803,707	\$ 49,158,049

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

**SAFE HORIZON, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 959,411	\$ 1,063,545
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,439,064	1,444,673
Amortization of pledge discount	(25,326)	39,449
Allowance for doubtful accounts	50,000	246,565
Contributed securities	(431,475)	(90,992)
Gain on beneficial interest in perpetual trusts	(81,148)	(41,166)
Realized gain on sale of investments	(6,520)	(25,290)
Unrealized gain on investments	(68,683)	(21,908)
<b>Subtotal</b>	1,835,323	2,614,876
Changes in operating assets and liabilities:		
(Increase) or decrease in assets:		
Grants receivable	(2,463,671)	1,649,865
Contributions receivable	(70,254)	165,001
Prepaid expenses and other assets	(19,400)	13,715
Restricted cash	(2,257,040)	(786,798)
Increase or (decrease) in liabilities:		
Accounts payable and accrued expenses	685,127	(995,917)
Deferred revenue/due to grantor	103,050	45,404
Restitution and client assistance payable	2,257,040	786,798
<b>Net Cash Provided by Operating Activities</b>	70,175	3,492,944
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(39,950,066)	(32,595,140)
Proceeds from sale of investments	40,283,966	32,617,159
Purchase of property and equipment	(1,488,636)	(633,000)
<b>Net Cash Used by Investing Activities</b>	(1,154,736)	(610,981)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments on borrowings from bank line of credit	(900,000)	(1,700,000)
<b>Net Cash Used by Financing Activities</b>	(900,000)	(1,700,000)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,984,561)	1,181,963
Cash and cash equivalents - Beginning of the year	3,436,124	2,254,161
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,451,563	\$ 3,436,124
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 20,963	\$ 38,227

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

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**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 charity 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, the Crime Victims Hotline, and the 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, such as safety planning and Emergency Shelter linking for victims of domestic violence. Safe Horizon is New York City's largest domestic violence shelter provider, with more than 730 beds available throughout the five boroughs. Safe Horizon operates both emergency shelters for crisis situations and transitional shelters where women or men and their dependent children are transferred in order to continue services and plan for a future free from violence and abuse. The shelters offer safety and comprehensive services such as: case management, child care, life skills and parenting, housing assistance, practical assistance (such as food, clothing and metro cards), and referrals to critical services (such as medical, mental health, schools, and job centers).
- **Community and Criminal Justice Programs** – Safe Horizon offers services to victims of crime and abuse, including victims of domestic violence, sexual assault, stalking, 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, and assistance with accessing shelter; and support services through safety assessment and risk management planning and supportive counseling. Staff provides information and linkages to public entitlement programs and community-based organizations.
- **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 minor victims of trafficking. 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 an 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 from age 13 to 23, Streetwork provides 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. Streetwork also refers clients for legal, medical and psychiatric services.
- **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 evidence-based mental health treatments are provided.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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

- **Legal Services** – Safe Horizon’s Legal Services provide services citywide through advocacy and direct legal representation. The Domestic Violence Law Project provides services to victims of domestic violence in family court, integrated domestic violence courts, and supreme courts in family & divorce related matters. The Immigration Law Project provides legal representation to immigrant crime victims of all types, including domestic violence, crime and abuse, and torture. They also work with those victimized by violence abroad who are seeking safety in this country.
- **Safe Horizon’s Anti-Trafficking Program** – is staffed with experts who can meet the special needs of adult and minor survivors of human trafficking. A range of services are provided including case management, shelter and housing referrals, counseling and support groups, life-skills, and vocational training. Safe Horizon also is a recognized national leader and provides national training and technical assistance on human trafficking.
- **The Domestic Violence Accountability Program (“DVAP”)** – is a 26-week batterer-intervention program used by the criminal justice system as an additional disposition in domestic violence cases. DVAP’s classes for men offer a fully developed curriculum about men’s violence against women and how to end it in our communities. The course includes information about the historical, social, and cultural aspect of domestic violence with an emphasis on accountability and personal choice.

**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 three months or less when acquired, to be 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 promises 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.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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

- 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 contributions receivable of \$50,000 and \$396,565 for June 30, 2011 and 2010, respectively. No allowance for doubtful accounts for grants receivable were recorded for June 30, 2011 and 2010. In addition, the allowance for future disallowances based on grantor audits of \$145,000 are recorded in accounts payable for June 30, 2011 and 2010, respectively. 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. Receivables are carried at their estimated fair value.
- F. Investments are reported at fair value. Donated securities are recorded at their fair 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. Fair value measurements are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 15.
- Effective July 1, 2010, Safe Horizon adopted Accounting Standards Update 2010-6 ("ASU 2010-6"), Fair Value Measurements and Disclosures ("Topic 820"), "Improving Disclosures about Fair Value Measurements". ASU 2010-6 modified existing disclosures to require disclosures by asset or liability class when providing fair value measurement disclosures (see note 15).
- H. Safe Horizon has been named as the beneficiary of two perpetual trusts. The investment principal remains part of the trusts and is 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, 2011 and 2010. 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 value of Safe Horizon's proportionate share of the trusts. The fluctuation in the fair value of the trusts from year to year is included in the statements of activities as changes in permanently restricted net assets.
- I. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Safe Horizon capitalizes all property and equipment having a cost of \$2,500 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, 2011 and 2010, the net book value of fixed assets revertible to the respective grantor amounted to approximately \$750,000 and \$520,000, respectively.

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

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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

J. 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 or milestones 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.

K. 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.

L. 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-line policy. The annual expense recorded for the years ended June 30, 2011 and 2010 amounted to approximately \$1,090,024 and \$979,000, 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. The estimated annual amortization for the five years following June 30, 2011 is as follows:

Year ending June 30:	<u>Amount</u>
2012	\$ 1,069,000
2013	1,131,000
2014	1,166,000
2015	1,123,000
2016	1,047,000

M. Safe Horizon received noncash contributions consisting primarily of contributed facilities and services (legal and public outreach services). The contributed facilities and services have been valued at the standard market rates that would have been incurred by Safe Horizon 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.

N. The costs of providing various programs and other activities of Safe Horizon have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

O. 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.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

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

- P. Safe Horizon has no uncertain tax positions as of June 30, 2011 and 2010 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. Safe Horizon is no longer subject to federal or state and local income tax examinations by tax authorities for the year ended June 30, 2008 and prior years.
- Q. Safe Horizon has evaluated events subsequent to the date of the statements of financial position through January 9, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to June 30, 2011 through January 9, 2012 that would require adjustment to or disclosure in the accompanying financial statements.
- R. Certain line items in the June 30, 2010 financial statements have been reclassified to conform to the June 30, 2011 presentation.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable due under governmental contracts, grants and entitlements consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
New York City agencies	\$ 9,980,729	\$ 7,558,174
New York State agencies	1,152,766	1,449,354
Federal agencies	194,160	65,326
Other	<u>639,131</u>	<u>430,261</u>
	<u>\$ 11,966,786</u>	<u>\$ 9,503,115</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount due in less than one year	\$ 1,075,838	\$ 1,446,052
Amount due from one to five years	<u>687,000</u>	<u>643,097</u>
	<u>1,762,838</u>	<u>2,089,149</u>
Less: Unamortized discount to present value	(16,577)	(41,903)
Allowance for doubtful accounts	<u>(50,000)</u>	<u>(396,565)</u>
	<u>\$ 1,696,261</u>	<u>\$ 1,650,681</u>

The pledges to be received after one year are discounted to fair value using interest rates ranging from 1.00%–3.34% for the years ended June 30, 2011 and 2010. Subsequently, the amortization of the discount is reflected as additional contribution revenue.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 5 – INVESTMENTS**

Investments consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
U.S. government bonds and notes	\$ 2,428,000	\$ 2,474,976
U.S treasury bills	7,611,921	7,459,069
Mutual funds:		
Short-term growth	314,177	240,026
Money market funds	<u>101,658</u>	<u>108,907</u>
Total	<u>\$ 10,455,756</u>	<u>\$ 10,282,978</u>

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

Investment income consists of the following for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 674	\$ 292
Unrealized gain on investments	68,683	21,908
Realized gain on sale of investments	<u>6,520</u>	<u>25,290</u>
	75,877	47,490
Less: Investment management fees	<u>(14,875)</u>	<u>(12,329)</u>
Total	<u>\$ 61,002</u>	<u>\$ 35,161</u>

**NOTE 6 – RESTRICTED CASH**

Restricted cash represents funds that Safe Horizon maintains in its role as a restitution agent for New York City. In this role, Safe Horizon, acting as an agent for the city, collects funds from convicted defendants, who are ordered by court to pay restitution, and disburses those funds to the beneficiary identified by the court. Safe Horizon informs courts and the NYC Department of Probation of the status of defendant payments, including any delays or missed payments. When the defendant has paid in full, Safe Horizon closes the case. If the beneficiary cannot be located or has already been paid, fully or partially, by another source, Safe Horizon maintains the funds in the restricted account and uses those unclaimed funds to pay beneficiaries who have not received full payment.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 9,825,980	\$ 9,222,616	2-3 years
Furniture and fixtures	3,628,780	3,161,477	5 years
Leasehold improvements	<u>10,632,863</u>	<u>10,214,894</u>	5 years or remaining lease term
 Total cost	 24,087,623	 22,598,987	
 Less: Accumulated depreciation and amortization	 <u>(20,448,553)</u>	 <u>(19,009,489)</u>	
Net book value	<u>\$ 3,639,070</u>	<u>\$ 3,589,498</u>	

Depreciation and amortization expense amounted to \$1,439,064 and \$1,444,673 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 8 – BANK LINES OF CREDIT**

Safe Horizon has two lines of credit with a bank. The first is for \$8,000,000 with a floating interest rate equal to either the bank's prime rate or 30 day LIBOR rate plus 90 basis points subject to a minimum rate of 2.0% for June 30, 2011 and 1.43% for June 30, 2010 for the first \$6,000,000 and 30 day LIBOR rate plus 1% (or the bank's prime rate, at the borrower's discretion) for the amount exceeding \$6,000,000. This credit line will expire on May 1, 2014 and is secured by the fair value of Safe Horizon's investments. There were outstanding borrowings of \$1,500,000 and \$2,400,000 as of June 30, 2011 and 2010, respectively. As of January 9, 2012, outstanding borrowings amounted to \$2,500,000.

The second line of credit is an unsecured line for \$7,000,000, which expires on May 1, 2012. Borrowings bear interest at a floating rate equal to prime rate or 30, 60 or 90 day LIBOR rate plus 2%, subject to a minimum rate of 3.0% plus 200 basis points for June 30, 2011 and June 30, 2010. There were no outstanding borrowings on this second line as of June 30, 2011. In addition, as of January 9, 2012, there was no borrowing.

Interest expense on borrowings amounted to \$20,963 and \$38,227 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 9 – IN-KIND CONTRIBUTIONS**

For the years ended June 30, 2011 and 2010, Safe Horizon received \$208,440 and \$40,806, 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, a substantial number of volunteers have donated significant amounts of time in relation to Safe Horizon's program services and other activities. This contributed time does not meet the criteria for recognition and its value; therefore, is not reflected in the statements of activities.

For the years ended June 30, 2011 and 2010, Safe Horizon received \$0 and \$60,000, respectively, in contributed goods towards its Project Safe Program.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 9 – IN-KIND CONTRIBUTIONS (Continued)**

Safe Horizon receives rent-free occupancy for two publicly-owned commercial properties located in New York, New York, and records an in-kind contribution and expense in acknowledgement of this arrangement. For the years ended June 30, 2011 and 2010 Safe Horizon recorded approximately \$927,000 and \$512,000, respectively, as in-kind contribution and expense which are reflected in accompanying statements of activities and functional expenses.

**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 \$523,000 and \$539,000 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 11 – NET ASSETS**

A. Temporarily restricted net assets are available for the following purposes as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Purpose restricted:		
Domestic violence programs	\$ 606,677	\$ 593,340
Streetwork and youth programs	1,495,748	294,624
Sexual assault and child advocacy programs	442,365	639,330
Other	<u>744,692</u>	<u>995,398</u>
	<u>\$ 3,289,482</u>	<u>\$ 2,522,692</u>

For the years ended June 30, 2011 and 2010, 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>2011</u>	<u>2010</u>
Purpose restrictions accomplished:		
Domestic violence programs	\$ 605,162	\$ 45,193
Streetwork and youth programs	939,922	678,072
Sexual assault and child advocacy programs	341,267	250,509
Other	<u>916,167</u>	<u>1,101,234</u>
	<u>\$ 2,802,518</u>	<u>\$ 2,075,008</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 2H).

**SAFE HORIZON, INC.**  
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**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 11 – NET ASSETS (Continued)**

Permanently restricted net assets consist of the following as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Endowment	\$ 280,508	\$ 280,508
Perpetual trusts	<u>584,021</u>	<u>502,873</u>
	<u>\$ 864,529</u>	<u>\$ 783,381</u>

- C. Safe Horizon recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA replaces the prior law which was the Uniform Management of Institutional Funds Act ("UMIFA"). In addition, Safe Horizon recognizes that NYPMIFA requires that the Board of Directors appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the endowment fund.

The Board of Directors has interpreted state law as allowing Safe Horizon to appropriate for expenditure or accumulate so much of an endowment fund as Safe Horizon determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

Safe Horizon's investment policy is the generation of interest, dividends, and capital gains necessary to support Safe Horizon's operations, the preservation (through diversification of investments among asset classes) of the inflation-adjusted value of the investment portfolio and the growth of the value of the investment portfolio in a reasonable and prudent manner. The policy has charged the Investment Committee (the "Committee") with investment decision responsibility. In light of its investment objectives, the Committee has determined that the following equity-to-fixed ratio goal, 60% equity to 40% fixed, shall apply, dependent on market conditions.

Changes in endowment net assets consist of the following for year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ (84,607)	\$ -	\$ 280,508	\$ 195,901
Investment activity:				
Unrealized gain on investments	<u>-</u>	<u>65,683</u>	<u>-</u>	<u>65,683</u>
Realized gain on investments	<u>-</u>	<u>6,520</u>	<u>-</u>	<u>6,520</u>
Total investment activity	<u>-</u>	<u>72,203</u>	<u>-</u>	<u>72,203</u>
Transfers to cover negative return	<u>72,203</u>	<u>(72,203)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ (12,404)</u>	<u>\$ -</u>	<u>\$ 280,508</u>	<u>\$ 268,104</u>

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 11 – NET ASSETS (Continued)**

Changes in endowment net assets consist of the following for year ended June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Investments</u>
Endowment net assets, beginning of year	\$ (106,672)	\$ -	\$ 280,508	\$ 173,836
Investment activity:				
Unrealized gain on investments	-	22,065	-	22,065
Total investment activity	-	22,065	-	22,065
Transfers to cover negative return	22,065	(22,065)	-	-
Endowment net assets, end of year	<u>\$ (84,607)</u>	<u>\$ -</u>	<u>\$ 280,508</u>	<u>\$ 195,901</u>

Endowment net assets of \$268,104 and \$195,901 are included with investments on the statements of financial position for the fiscal years ended June 30, 2011 and 2010, respectively.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Safe Horizon to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets as of June 30, 2011 and 2010. These deficiencies resulted from unfavorable market fluctuations that occurred in the economy as a whole that affected the donor restricted endowment fund where the fair value of the donor restricted endowment fund was below the amount that is required to be retained permanently by \$12,404 and \$84,607 as of June 30, 2011 and 2010, respectively.

**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 \$48,000 for the fiscal years ended June 30, 2011 and 2010. In addition, Safe Horizon rents from the Corporation all its available units at a fixed price of \$48,000 per annum.

A Board member of Safe Horizon is also the President of a financial institution that provides Safe Horizon with two lines of credit and with operating support.

A Board member of Safe Horizon is also a volunteer board member of another non-profit organization that provides permanent housing and supportive services to low-income victims of domestic violence. Safe Horizon rents two properties from this non-profit organization.

Subsequent to June 30, 2011, the program that had been Safe Horizon's Mediation Program became an independent non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code called the New York Peace Institute ("NYPI"). NYPI is structured as a membership organization with Safe Horizon as the sole member and is responsible for electing the board of directors. Such board members were elected in June, 2011. NYPI board includes a Safe Horizon staff member to help safeguard the agency's interests. Safe Horizon will subcontract with NYPI to provide mediation services according to the provisions of contracts between Safe Horizon and New York City and State under the terms of this subcontract. Safe Horizon will provide administrative support and technical assistance to NYPI in return for a fee of 10% of the contract amount and NYPI will perform the mediation services specified by the contracts. Contracts between New York City and Safe Horizon continue through June 30, 2012 and may be renewed by the City, at its option, for an additional two year term, from July 1, 2012 to June 30, 2014. The contract with New York State ends on March 31, 2014. At the end of the last government contract term, Safe Horizon will end its sub-contracting arrangement with NYPI, which will be able to submit an independent proposal to the city to perform mediation services.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

In most instances, grants are subject to audits by city, state and federal auditors, and costs charged to 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, 2011 and thereafter are as follows:

2012	\$ 4,650,986
2013	2,741,422
2014	2,023,031
2015	2,088,107
2016	1,992,194
Thereafter	<u>9,572,325</u>
	<u>\$ 23,068,065</u>

Rent expense for the years ended June 30, 2011 and 2010 amounted to \$5,691,729 and \$5,423,766, respectively, and is included in occupancy expenses in the accompanying financial statements.

**NOTE 14 – CONCENTRATIONS**

Safe Horizon maintains cash and cash equivalents and restricted cash in several major financial institutions. Cash in banks are insured by the Federal Deposit Insurance Corporation ("FDIC"). During 2009, FDIC insurance coverage for interest-bearing accounts was increased from \$100,000 to \$250,000, expiring December 31, 2013. For non-interest-bearing accounts, such coverage is unlimited to December 31, 2012. During the current fiscal year, Safe Horizon may have cash balances in the financial institutions in excess of the limit. As of June 30, 2011, cash accounts in financial institutions exceeded the federal insured limits by approximately \$9,331,048. As of October 13, 2011, Safe Horizon transferred \$8,664,352 into non-interest-bearing account, which further reduced their credit risk to \$666,696.

**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value hierarchy defines three levels as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuation are obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
- Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

**SAFE HORIZON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

**NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Investments, measured at fair value on a recurring basis, are classified as Level 1 and consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<b>ASSETS CARRIED AT FAIR VALUE:</b>		
Investments:		
U.S. government bonds and notes	\$ 2,428,000	\$ 2,474,976
U.S. Treasury bills	7,611,921	7,459,069
Money market funds	101,658	108,907
Mutual funds – short term growth	<u>314,177</u>	<u>240,026</u>
 Total Assets Carried at Fair Value	 <u>\$ 10,455,756</u>	 <u>\$ 10,282,978</u>

In determining fair value, Safe Horizon utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Mutual funds are valued daily at the net asset value (“NAV”) of shares held by Safe Horizon at year-end, based on the value of the underlying assets, minus its liabilities, and then divided by the number of shares outstanding. The underlying assets are primarily valued using market quotations. There are no restrictions on redemptions off these funds.