

SAFEHOME, INC.

FINANCIAL STATEMENTS

**Year Ended December 31, 2015
with
Independent Auditors' Report**

SAFEHOME, INC.

FINANCIAL STATEMENTS

December 31, 2015

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Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SAFEHOME, Inc.

We have audited the accompanying financial statements of **SAFEHOME, Inc.** (a Kansas nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. 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 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 auditors consider 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.

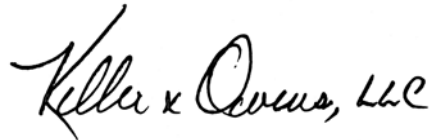
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SAFEHOME, Inc.**, as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited **SAFEHOME, Inc.**'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 16, 2015. In our opinion, the summarized comparative information presented herein as of and for year ended December 31, 2014, is consistent, in all material respects, with audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas
July 27, 2016

SAFEHOME, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With comparative totals as of December 31, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 443,320	\$ 385,896
Cash and Cash Equivalents, Restricted for Capital Campaign	1,081,704	1,313,413
Certificates of Deposit, at cost	288,637	288,637
Investments	1,535,517	1,640,356
Pledges Receivable, net	78,489	115,601
Pledges Receivable, net, Restricted for Capital Campaign	165,554	384,349
Grants Receivable, no Allowance for Doubtful Accounts	198,696	181,064
Other Receivables	444	1,397
Prepaid Expenses	5,206	6,879
Inventory	68,788	65,284
Property and Equipment, net	<u>3,706,550</u>	<u>3,778,436</u>
Total Assets	<u>\$ 7,572,905</u>	<u>\$ 8,161,312</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 43,447	\$ 109,758
Accrued payroll and related liabilities	134,548	142,583
Refundable advances and deposits	<u>61,350</u>	<u>111,367</u>
Total Liabilities	239,345	363,708
Net Assets:		
Unrestricted:		
Board designated - endowment	645,487	750,326
Board designated - operating reserve	351,535	551,063
Net investment in property and equipment	3,706,550	3,778,436
Undesignated	<u>212,680</u>	<u>(66,029)</u>
Total Unrestricted	4,916,252	5,013,796
Temporarily Restricted:		
Capital campaign	1,247,258	1,697,762
Other	<u>280,020</u>	<u>196,016</u>
Total Temporarily Restricted	1,527,278	1,893,778
Permanently Restricted - Endowment	<u>890,030</u>	<u>890,030</u>
Total Net Assets	<u>7,333,560</u>	<u>7,797,604</u>
Total Liabilities and Net Assets	<u>\$ 7,572,905</u>	<u>\$ 8,161,312</u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2015

(With comparative totals for the year ended December 31, 2014)

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Contributions:					
Foundations	\$ 179,958	\$ 427,993	\$ -	\$ 607,951	\$ 540,099
Individuals	215,707	63,270	-	278,977	227,234
Corporations	109,837	32,500	-	142,337	102,083
Religious and service organizations	67,480	23,575	-	91,055	39,576
United Way and other federated fundraising organizations	54,110	138,453	-	192,563	252,471
Capital Campaign	-	30,331	-	30,331	1,467,508
In-kind	292,620	-	-	292,620	497,311
Government Grants:					
Federal	615,795	-	-	615,795	675,653
State	408,388	-	-	408,388	394,632
Local	76,182	-	-	76,182	49,502
Special Events	225,543	-	-	225,543	281,266
Investment Return	(44,158)	-	-	(44,158)	74,511
Other Income	899	-	-	899	3,674
Net Assets Released from Restriction	1,054,600	(1,054,600)	-	-	-
Total Support and Revenue	3,256,961	(338,478)	-	2,918,483	4,605,520
Expenses:					
Program Services:					
Shelter	1,205,281	-	-	1,205,281	1,232,209
Counseling	533,859	-	-	533,859	505,949
Outreach	621,285	-	-	621,285	653,997
Children's	150,444	-	-	150,444	168,224
Transitional Living	110,666	-	-	110,666	222,213
	2,621,535	-	-	2,621,535	2,782,592
Supporting Services:					
Administration	376,055	-	-	376,055	270,029
Development	356,915	-	-	356,915	241,046
Capital Campaign	-	-	-	-	203,562
	732,970	-	-	732,970	714,637
Total Expenses	3,354,505	-	-	3,354,505	3,497,229
Loss on Disposal of Property and Equipment	-	-	-	-	5,041
Loss on Uncollectible Pledges	-	28,022	-	28,022	10,304
Total Expenses and Losses	3,354,505	28,022	-	3,382,527	3,512,574
Change in Net Assets	(97,544)	(366,500)	-	(464,044)	1,092,946
Net Assets at Beginning of Year	5,013,796	1,893,778	890,030	7,797,604	6,704,658
Net Assets at End of Year	\$ 4,916,252	\$ 1,527,278	\$ 890,030	\$ 7,333,560	\$ 7,797,604

See accompanying notes

SAFEHOME, INC.

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2015

(With comparative totals for the year ended December 31, 2014)

	2015									2014 Total
	Program Services					Supporting Services				
	Shelter	Counseling	Outreach	Children's	Transitional Living	Total Program	Administration	Development	Total	
Salary and Wages	\$ 456,160	\$ 350,141	\$ 459,270	\$ 88,331	\$ 66,691	\$ 1,420,593	\$ 206,453	\$ 172,278	\$ 1,799,324	\$ 1,820,472
Taxes and Benefits	91,565	70,284	92,190	17,731	13,387	285,157	41,441	34,581	361,179	328,987
Other Program Expenses	278,813	7,252	2,234	5,599	295	294,193	904	628	295,725	413,945
Depreciation	98,756	38,835	14,063	16,320	11,244	179,218	20,680	17,371	217,269	162,349
Occupancy	71,323	26,425	13,243	8,857	9,632	129,480	15,773	14,097	159,350	214,173
Client Assistance	115,506	-	-	-	-	115,506	-	-	115,506	176,297
Other Operating Expense	3,601	3,672	5,122	662	487	13,544	4,684	46,202	64,430	53,041
Contract Labor	26,612	10,465	3,789	4,398	3,030	48,294	5,573	9,931	63,798	34,783
Office Supplies and Expenses	24,732	10,340	4,736	2,395	1,112	43,315	6,340	3,933	53,588	50,371
Professional Fees	1,076	826	1,084	208	158	3,352	35,419	5,900	44,671	58,106
Telephone and Internet	15,082	6,399	3,833	2,474	1,063	28,851	4,617	3,224	36,692	22,203
Bank and Investment Fees	39	-	-	-	-	39	23,634	2,090	25,763	31,467
Other Personnel Costs	5,793	4,447	5,833	1,122	847	18,042	2,622	2,187	22,851	15,460
Travel Expenses	6,072	851	10,631	939	853	19,346	1,430	618	21,394	22,730
Printing	5,802	1,998	1,406	795	587	10,588	991	5,608	17,187	22,332
Insurance	3,340	1,313	3,365	552	1,027	9,597	4,208	588	14,393	16,268
Postage	984	601	482	57	250	2,374	1,281	2,411	6,066	9,569
Interest	25	10	4	4	3	46	5	5	56	13,284
Subtotal	<u>1,205,281</u>	<u>533,859</u>	<u>621,285</u>	<u>150,444</u>	<u>110,666</u>	<u>2,621,535</u>	<u>376,055</u>	<u>321,652</u>	<u>3,319,242</u>	<u>3,465,837</u>
Direct Benefits to Donors	-	-	-	-	-	-	-	35,263	35,263	31,392
Total Expenses	<u>\$ 1,205,281</u>	<u>\$ 533,859</u>	<u>\$ 621,285</u>	<u>\$ 150,444</u>	<u>\$ 110,666</u>	<u>\$ 2,621,535</u>	<u>\$ 376,055</u>	<u>\$ 356,915</u>	<u>\$ 3,354,505</u>	<u>\$ 3,497,229</u>

See accompanying notes

SAFEHOME, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

(With comparative totals for the year ended December 31, 2014)

	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (464,044)	\$ 1,092,946
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	217,269	162,349
Realized and unrealized losses (gains) on investments	98,199	(3,438)
Loss on disposal of property and equipment	-	5,041
Loss on uncollectible pledges	28,022	10,304
Contributions restricted for capital campaign	(17,675)	(1,464,939)
(Increase) decrease in:		
Pledges receivable	37,492	(8,439)
Grants receivable	(17,632)	(57,956)
Other receivables	953	(288)
Prepaid expenses	1,673	1,990
Inventory	(3,504)	(913)
Increase (decrease) in:		
Accounts payable	(17,256)	23,576
Accrued payroll and related liabilities	(8,035)	16,121
Refundable advances and deposits	(50,017)	29,683
Net Cash Used by Operating Activities	(194,555)	(193,963)
Cash Flows from Investing Activities:		
Change in assets restricted for capital campaign	422,102	(532,699)
Purchases of investments	(242,396)	(539,925)
Proceeds from sale of investments	249,036	566,903
Purchases of property and equipment	(194,438)	(636,954)
Net Cash Provided (Used) by Investing Activities	234,304	(1,142,675)
Cash Flows from Financing Activities:		
Contributions received for capital campaign	17,675	1,464,939
Payments on line of credit	-	(357,164)
Net Cash Provided by Financing Activities	17,675	1,107,775
Net Change in Cash and Cash Equivalents	57,424	(228,863)
Cash and Cash Equivalents at Beginning of Year	385,896	614,759
Cash and Cash Equivalents at End of Year	\$ 443,320	\$ 385,896

SUPPLEMENTARY DISCLOSURES

Purchases of Property and Equipment Using Trade Payables	\$ -	\$ 49,055
Cash paid for interest	\$ -	\$ 13,284

See accompanying notes

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. NATURE OF ORGANIZATION

Organization and Nature of Operations - SAFEHOME, Inc. (the “Organization”) provides shelter and services to victims of domestic violence and their children. The mission of the Organization is to break the cycle of domestic violence and partner abuse for victims and their children by providing shelter, advocacy, counseling, and prevention education in the community. The Organization’s vision is to create a community free of domestic violence and partner abuse. The Organization is supported primarily by contributions from donors in the Kansas City metro area as well as by several federal, state, and local grants.

Program Descriptions – The Organization’s spectrum of programs include shelter, counseling, and a variety of outreach services.

Shelter Services – The Organization’s secure, confidential shelter provided 18,511 (9% increase over 2014) nights of shelter to 361 women and children fleeing domestic violence in 2015. It is impossible to quantify the number of lives saved, the violent acts avoided, or even the sense of peace and security provided. The Organization provides daily meals, clothing and personal items, and a private hotel-like room, where women and children can begin their recovery. The Organization provides a full range of advocacy resources, including legal, financial, vocational, and parenting, access to medical care, and counseling of the highest possible quality. All services are provided free of charge.

Counseling Services – Victims of domestic violence need more than a safe place to sleep. Their worlds have been turned upside down through emotional, economic, physical and sexual abuse. In 2015, the Organization’s 8 full-time and 2 part-time licensed professional therapists, with the help of 20 interns, provided 1,241 people (a 25% increase over 2014) with 11,001 hours of counseling. English and Spanish-speaking therapists work closely with clients to help them break the cycle of domestic violence. The Organization’s counselors also work closely with the District Attorney and local law enforcement to provide immediate crisis intervention counseling to domestic violence victims identified as being in “high lethality” situations.

Outreach Services – The Organization provides a wide range of services in the community to identify victims of domestic violence and help them reach the services they need. Outreach services include on-site hospital advocacy; financial literacy and economic assistance; bilingual advocacy; legal advocacy; rental assistance; and school-based education. The Organization is the only domestic violence agency in Kansas and the Kansas City metro area that has a full-time attorney on staff. The Organization also maintains a 24/7/365 crisis hotline with trained personnel to respond to callers seeking help.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. NATURE OF ORGANIZATION (continued)

Children's Advocacy Program – Specialized children's services include professional counseling and play therapy, child and family advocacy, assistance with re-enrolling in schools, and parenting skills education for mothers.

Transitional Living Program – Services to help victims and children transition into independent community living include up to one year of graduated rent assistance, ongoing case management, and professional counseling. The program helps victims of domestic abuse achieve and maintain affordable housing and achieve financial and emotional independence after leaving an abusive situation.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets – consist of donor-restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restriction." Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets – consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers highly-liquid investments purchased with maturities of less than three months to be cash equivalents.

Certificates of Deposit – Certificates of deposit of \$288,637 were held by the Organization at December 31, 2015 and are carried at cost in the statement of financial position. Their original maturity dates range between sixteen months and five years, with interest rates ranging between 1.15% and 1.99%.

Concentration of Credit Risk – The Organization maintains its cash in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which the Organization deposits funds. At December 31, 2015, the Organization had approximately \$1,026,000 in deposits in excess of FDIC-insured limits.

Contracts Receivable – Contracts receivable consists of grants receivable from several federal, state, and local governmental agencies on a cost-reimbursement basis and is stated at their net realizable value as deemed by management.

Estimates – In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state law, and contributions to the Organization are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code. Among other things, the Organization is exempt from income (except on unrelated business income), FUTA, and state and local real estate taxes.

In accordance with FASB ASC 740, the Organization’s policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2015 and, accordingly, no liability has been accrued. However, in general, tax years for the three prior years remain subject to IRS examination.

In-kind Donations – In-kind contributions are reflected at their estimated fair values at date of receipt and are summarized as follows for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Materials	\$ 276,459	\$ 384,550
Services – information technology	13,640	-
Services – general contractor	<u>2,521</u>	<u>112,761</u>
Total In-kind Donations	<u>\$ 292,620</u>	<u>\$ 497,311</u>

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets, unless subject to time restrictions. Any volunteer services donated to the Organization that do not meet the criteria for recognition as a contribution are not reflected in the accompanying financial statements.

Inventory – Inventory consists of clothing, food, health and beauty, and other miscellaneous household items for shelter and administrative use. Inventory is stated at estimated fair value at date of donation.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges Receivable – Pledges receivable consist of unconditional promises to give and are recognized as support in the period the promises are received. Unconditional promises to give that are expected to be collected within one year or less are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

The discounts on those amounts are computed using risk-free rates plus a margin for credit risk applicable to the years in which the pledges are to be received. Amortization of the discount is included in support revenue on the statement of activities. The discount will be recognized as support revenue in future fiscal years as the discount is amortized over the duration of the contributions. An allowance for uncollectible contributions received is provided based on management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Conditional promises to give are not included as support until the conditions are substantially met; funds collected prior to meeting such conditions are recorded as refundable advances in the statement of financial position.

Property and Equipment – Expenditures for property and equipment over \$1,500 are recorded at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	30 years
Land and building improvements	10 - 15 years
Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years
Software	3 years

Reclassifications – Certain amounts in the 2014 financial statements have been reclassified for comparative purposes to conform to the 2015 presentation.

Revenue Recognition – Revenue received for special events is recognized in the period the underlying event occurs.

Subsequent Events – Management has evaluated events and transactions that have occurred since December 31, 2015 and reflected their effects, if any, in these financial statements through July 27, 2016, the date the financial statements were available to be issued.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2015:

	<u>Level 1</u>	<u>Total</u>
Money market funds	\$ 54,104	\$ 54,104
Common stock	201,132	201,132
Mutual funds:		
Equity - domestic	323,452	323,452
Equity - international	165,819	165,819
Fixed income	503,244	503,244
Real assets	117,496	117,496
Alternatives	110,802	110,802
Exchange-traded funds:		
Domestic	38,584	38,584
International	<u>20,884</u>	<u>20,884</u>
Total Investments	<u>\$ 1,535,517</u>	<u>\$ 1,535,517</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2014:

	<u>Level 1</u>	<u>Total</u>
Money market funds	\$ 30,741	\$ 30,741
Common stock	203,700	203,700
Mutual funds:		
Equity - domestic	316,325	316,325
Equity - international	135,329	135,329
Fixed income	490,918	490,918
Real assets	120,473	120,473
Alternatives	256,125	256,125
Exchange-traded funds:		
Domestic	58,730	58,730
International	<u>28,015</u>	<u>28,015</u>
Total Investments	<u>\$ 1,640,356</u>	<u>\$ 1,640,356</u>

4. INVESTMENT RETURN

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 54,041	\$ 71,073
Net realized and unrealized (losses) gains	<u>(98,199)</u>	<u>3,438</u>
Total Investment Return	<u>\$ (44,158)</u>	<u>\$ 74,511</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

5. ENDOWMENT

The Organization's endowment consists of several individual funds established for the purpose of generating income to assure the Organization's survival and helping to defray the cost and expense of its services. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Kansas enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The unspent earnings on the donor-restricted endowment are included in unrestricted endowment fund in accordance with the intentions of the donor. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

5. ENDOWMENT (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 890,030	\$ 890,030
Board-designated endowment funds	645,487	-	645,487
Total Funds	\$ 645,487	\$ 890,030	\$ 1,535,517

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 750,326	\$ 890,030	\$ 1,640,356
Investment return:			
Interest and dividends, net of fees	39,078	-	39,078
Net realized and unrealized losses	(98,199)	-	(98,199)
Total Investment Return	(59,121)	-	(59,121)
Appropriation of endowment assets for expenditure	(45,718)	-	(45,718)
Endowment net assets, end of year	\$ 645,487	\$ 890,030	\$ 1,535,517

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 890,030	\$ 890,030
Board-designated endowment funds	750,326	-	750,326
Total Funds	\$ 750,326	\$ 890,030	\$ 1,640,356

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2015

5. ENDOWMENT (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2014:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 773,866	\$ 890,030	\$ 1,663,896
Investment return:			
Interest and dividends, net of fees	45,703	-	45,703
Net realized and unrealized gains	3,438	-	3,438
Total Investment Return	49,141	-	49,141
Appropriation of endowment assets for expenditure	(72,681)	-	(72,681)
Endowment net assets, end of year	\$ 750,326	\$ 890,030	\$ 1,640,356

Permanently and Temporarily Restricted Net Assets (Endowment only) at December 31:

Permanently Restricted Net Assets:

	2015	2014
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 890,030	\$ 890,030
Total Endowment Funds Classified as Permanently Restricted Net Assets	\$ 890,030	\$ 890,030

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

5. ENDOWMENT (continued)

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending strategies, approved by the Board of Directors, for endowment assets. The investment objectives place primary importance on long-term capital appreciation of the Endowment’s assets, and secondarily the preservation of purchasing power after spending. The Organization, over time, expects to meet or exceed the market index or appropriate benchmark that most closely corresponds to the investment style, while incurring equal or less risk. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between investment asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, including money market, fixed income and equity securities. All assets are required to have a readily ascertainable market value, and must be readily marketable. Fixed income securities shall be of investment grade quality, and certain high-risk or alternative investments are prohibited.

Spending Policy – The Organization has a spending policy of appropriating for distribution each month the prior month’s net total earned dividends and interest. In establishing this policy, the Organization considered the long-term expected investment return on its investment assets, and the possible effects of inflation. This is consistent with the Organization’s objectives of achieving long-term capital appreciation, as well as maintaining the purchasing power of the endowment after spending.

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following unconditional promises to give at December 31:

	<u>2015</u>	<u>2014</u>
Receivable in:		
Less than one year	\$ 74,683	\$ 111,106
One to five years	<u>24,197</u>	<u>28,057</u>
	98,880	139,163
Allowance for uncollectible pledges	(16,600)	(19,000)
Present value discount at 7%	<u>(3,791)</u>	<u>(4,562)</u>
 Pledges Receivable, net	 <u>\$ 78,489</u>	 <u>\$ 115,601</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

7. PLEDGES RECEIVABLE RESTRICTED FOR CAPITAL CAMPAIGN

Pledges receivable restricted for the Organization's capital campaign consisted of the following unconditional promises to give at December 31:

	<u>2015</u>	<u>2014</u>
Receivable in:		
Less than one year	\$ 145,322	\$ 218,903
One to five years	<u>32,610</u>	<u>180,751</u>
	177,932	399,654
Allowance for uncollectible pledges	(9,729)	-
Present value discount at 7%	<u>(2,649)</u>	<u>(15,305)</u>
Pledges Receivable, net	<u>\$ 165,554</u>	<u>\$ 384,349</u>

8. CONDITIONAL PROMISES TO GIVE

Conditional promises to give consisted of the following at December 31:

Community foundation grants conditioned upon meeting various donor stipulations and allowing donors to unilaterally revoke the grants	<u>\$ 200,572</u>	<u>\$ 195,789</u>
Total Conditional Promises to Give	<u>\$ 200,572</u>	<u>\$ 195,789</u>

Some of the conditional promises to give remain uncollected; the remainder represents unspent amounts that have been paid by donors and included in refundable advances and deposits on the statement of financial position at December 31, as follows:

Collected and unspent (refundable advances)	\$ 61,024	\$ 86,589
Amounts yet to be collected	<u>139,548</u>	<u>109,200</u>
Total Conditional Promises to Give	<u>\$ 200,572</u>	<u>\$ 195,789</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

9. GRANTS RECEIVABLE

Grants receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
U.S. Department of Justice	\$ 101,676	\$ 105,044
U.S. Dept. of Health and Human Services	20,143	24,112
U.S. Dept. of Housing and Urban Development	25,884	7,134
State of Kansas	41,993	34,944
Johnson County, KS	9,000	9,000
Other	<u>-</u>	<u>830</u>
Grants Receivable	<u>\$ 198,696</u>	<u>\$ 181,064</u>

10. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

Land	\$ 555,000	\$ 555,000
Land improvements	182,761	182,761
Building	3,099,888	3,099,888
Building improvements	899,908	642,889
Furniture and fixtures	289,284	276,117
Equipment and software	156,469	133,270
Construction in progress	<u>-</u>	<u>148,002</u>
	5,183,310	5,037,927
Less accumulated depreciation	<u>(1,476,760)</u>	<u>(1,259,491)</u>
Net Property and Equipment	<u>\$ 3,706,550</u>	<u>\$ 3,778,436</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

11. LINE OF CREDIT

The Organization has a \$250,000 line of credit with a fixed interest rate of 3.875% collateralized by real estate. All outstanding principal and interest is payable upon maturity on December 18, 2017. As of December 31, 2015, there was no balance on the line of credit.

The Organization is subject to certain restrictive covenants contained in the loan agreement with the bank. At December 31, 2015, the Organization was in compliance with those covenants.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31:

	<u>2015</u>	<u>2014</u>
<u>Time Restrictions:</u>		
Pledges Receivable	\$ 33,257	\$ 46,790
<u>Time and Purpose Restrictions:</u>		
Pledges Receivable – Capital Campaign	165,554	384,349
<u>Purpose Restrictions:</u>		
Shelter Services	56,631	27,813
Volunteer Program	5,165	2,672
Counseling Services	35,235	18,952
Community Education Programs	20,801	26,072
Children’s Program	-	4,090
Healthcare	20,947	17,824
Administrative	37,500	-
Economic Advocacy	28,933	-
Other Program Services	41,551	51,803
Capital Campaign	<u>1,081,704</u>	<u>1,313,413</u>
Total Purpose Restrictions	<u>1,328,467</u>	<u>1,462,639</u>
 Total Temporarily Restricted Net Assets	 <u>\$ 1,527,278</u>	 <u>\$ 1,893,778</u>

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

12. TEMPORARILY RESTRICTED NET ASSETS (continued)

The following are sources of net assets released from temporary donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of events specified by donors:

	2015	2014
Shelter Services	\$ 81,405	\$ 144,982
Volunteer Program	8,627	7,910
Transitional Living	11,316	24,857
Counseling Services	203,104	153,907
Court and Legal Advocacy Services	5,000	8,302
Community Education Programs	44,502	71,825
Children's Program	119,396	103,126
Outreach	5,000	19,805
Healthcare	69,252	65,925
Other Program Services	13,292	7,943
Capital Campaign	262,040	369,207
Total Purpose Restrictions	822,934	977,789
Pledges Receivable Restricted for Future Periods	41,273	40,606
Pledges Receivable Restricted for Future Periods – Capital Campaign	190,393	564,297
Total Time Restrictions	231,666	604,903
Net Assets Released from Restriction	\$ 1,054,600	\$ 1,582,692

13. CONCENTRATION OF CREDIT RISK OF REVENUE SOURCES AND RECEIVABLES

In 2015, approximately 21% and 14% of total revenue was generated from federal and state government grants, respectively. As of December 31, 2015, 74%, and 21%, of grants receivable were due from federal and state government grants, respectively.

In 2014, approximately 15% and 9% of total revenue was generated from federal and state government grants, respectively. As of December 31, 2014, 75% and 19% of grants receivable were due from federal and state government grants, respectively.

SAFEHOME, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

14. RETIREMENT PLAN

The Organization has implemented a retirement plan for its permanent employees, which is a qualified employee benefit plan under Internal Revenue Code Section 403(b). The Organization did not match employee contributions during the year ended December 31, 2015 and 2014.