SAFE HARBOR

Financial Statements

For the year ended
June 30, 2012

SAFE HARBOR

Contents

Frank Barcalow CPA, P.L.L.C.

Report of Independent Certified Public Accountants

The Board of Directors
Safe Harbor
Richmond, Virginia

We have audited the accompanying statements of financial position of Safe Harbor as of June 30, 2012 and 2011 and the related statements of activities, cash flows, and functional expenses for the year ended June 30, 2012. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior-year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated September 22, 2011; we expressed an unqualified opinion on those financial statements.

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 Harbor as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

Frank Barcalow CPA, P.L.L.C.

Richmond, Virginia
September 19, 2012

ph: 757.220.6626 fax: 757.220.2241
Members American Institute of Certified Public Accountants

SAFE HARBOR

Statements of Financial Position
June 30, 2012 and 2011

		2012		2011
Assets				
Cash and cash equivalents	$	313,027	$	684,358
Certficates of deposit		101,171		230,293
Contributions and grants receivable		14,540		24,886
Other assets		9,455		7,273
Investments		509,337		-
Office furniture, fixtures and equipment		76,715		75,115
Less accumulated depreciation and amortization		(72,065)		(67,022)
	$	952,180	$	954,903
Liabilities and net assets				
Liabilities				
Accounts payable	$	552	$	3,256
Accrued expenses		31,099		23,029
Fiscal agent funds		38		88
Total liabilities		31,689		26,373
Net assets				
Unrestricted:				
Unrestricted		361,154		827,280
Board designated - endowment		509,337		-
Total unrestricted net assets		870,491		827,280
Temporarily restricted net assets		50,000		101,250
Total net assets		920,491		928,530
Total liabilities and net assets	$	952,180	$	954,903

See notes to financial statements.

Safe Harbor

Statement of Activities
Year Ended June 30, 2012
(with summarized financial information for the year ended June 30, 2011)

	Unrestricted	Temporarily	Total 2012	Total 2011
Public support and revenue				
Contributions	$ 284,674	$ -	$ 284,674	$ 110,665
In-kind contributions	72,520	-	72,520	50,403
Grants and others	-	318,006	318,006	916,782
Other groups	28,058	-	28,058	35,773
Special events	22,964	-	22,964	15,361
Other income	13,022	-	13,022	4,504
Total public support and revenue	421,238	318,006	739,244	1,133,488
Net assets released from restrictions	369,256	(369,256)	-	-
Total public support and revenue	790,494	(51,250)	739,244	1,133,488
Expenditures				
Program services				
Children	45,770	-	45,770	64,880
Community	102,290	-	102,290	117,172
Education and Outreach	119,906	-	119,906	131,274
SV Advocacy	88,557	-	88,557	63,723
Shelter	245,834	-	245,834	218,690
Total program services	602,357	-	602,357	595,739
Supporting services				
Development	71,393	-	71,393	67,408
General and administrative	73,533	-	73,533	70,309
Total Supporting services	144,926	-	144,926	137,717
Total expenditures	747,283	-	747,283	733,456
Change in net assets	43,211	(51,250)	(8,039)	400,032
Net assets at beginning of year	827,280	101,250	928,530	528,498
Net assets at end of year	$ 870,491	$ 50,000	$ 920,491	$ 928,530

See notes to the financial statements.

Safe Harbor

Statement of Functional Expenses
Year Ended June 30, 2012
(with summarized prior year information for the year June 30, 2011)

	Program Services						Management and General			2012	2011
	Children	Community	Education &Outreach	SV Advocacy	Shelter	Total	Fundraising	General and Administrative	Total	Total	Total
Salaries	$ 28,365	$ 75,685	$ 89,949	$ 67,029	$ 118,472	$ 379,500	$ 42,935	$ 42,020	$ 84,955	$ 464,455	$ 479,828
Benefits and payroll taxes	4,701	9,360	14,036	7,959	19,184	55,240	8,047	8,565	16,612	71,852	61,951
Other salary costs	1,066	2,315	2,399	1,190	2,472	9,442	965	3,135	4,100	13,542	11,009
Total Salaries and benefits	34,132	87,360	106,384	76,178	140,128	444,182	51,947	53,720	105,667	549,849	552,788
Professional Fees	53	115	91	43	5,197	5,499	43	7,728	7,771	13,270	19,595
Occupancy	8,138	9,328	8,692	8,434	11,257	45,849	5,023	4,889	9,912	55,761	49,505
Program	207	176	357	50	14,697	15,487	-	-	-	15,487	18,654
Postage	128	133	136	136	157	690	811	246	1,057	1,747	1,878
Printing and publication	191	199	203	198	143	934	311	150	461	1,395	1,178
Insurance	1,078	1,124	1,146	1,118	998	5,464	651	624	1,275	6,739	5,951
Dues and subscriptions	124	270	244	102	548	1,288	739	182	921	2,209	1,755
Pubic relations	24	51	41	19	77	212	355	19	374	586	587
Events	-	-	-	-	-	0	6,277	10	6,287	6,287	5,311
Training and meetings	217	1,045	746	336	687	3,031	1,552	592	2,144	5,175	1,507
Travel	324	1,247	652	807	948	3,978	370	308	678	4,656	4,717
Depreciation	638	657	654	479	364	2,792	329	305	634	3,426	5,845
Equipment and maintenance	488	523	511	474	1,421	3,417	1,739	270	2,009	5,426	7,448
Miscellaneous	28	62	49	183	92	414	1,246	1,090	2,336	2,750	6,334
Inkind assistance	-	-	-	-	69,120	69,120	-	3,400	3,400	72,520	50,403
Total functional expenses	$ 45,770	$ 102,290	$ 119,906	$ 88,557	$ 245,834	$ 602,357	$ 71,393	$ 73,533	$ 144,926	$ 747,283	$ 733,456

See notes to financial statements.

SAFE HARBOR
Statement of Cash Flows
Year Ended June 30, 2012

	2012
Cash flows from operating activities	
Change in net assets	(8,039)
Adjustments to reconcile change in net assets	
to net cash(used in) provided by operating activities:	
Unrealized, realized (gains) losses on investments	(5,116)
Depreciation and amortization	5,039
Bad debts	1,107
Loss on disposal of assets	-
Changes in operating assets and liabilities:	
(Increase) Decrease in contributions receivable	9,239
(Increase) Decrease in other receivables	-
(Increase) Decrease in other assets	(2,182)
Increase (Decrease) in accounts payable	(2,704)
Increase (Decrease) in accrued expenses	8,070
Increase (Decrease) in fiscal agent funds	(50)
Net cash (used in) provided by operating activities	5,364
Cash flows from investing activities	
Purchase of investments	(521,512)
Sale of investments	17,292
Purchase of certificates of deposit	(101,694)
Maturities of certificates of deposit	230,814
Purchases of equipment	(1,595)
Net cash (used in) provided by investing activities	(376,695)
Net (decrease) increase in cash	(371,331)
Cash at beginning of year	684,358
Cash at end of year	$ 313,027

See notes to financial statements.

Notes to Financial Statements
June 30, 2012

Note 1 - Organization and summary of significant accounting policies

Nature of the Organization

Safe Harbor (the Organization) a Virginia corporation, was formed as a shelter service for domestic violence victims in the Richmond metropolitan area. The shelters are open to women and children. Residents are offered a variety of services, including counseling, safety planning, parenting, and individual and group counseling for children.

Recently issued accounting standards

In June 2009, the Financial Accounting Standards (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions, of FASB ASC 105, the Organization has updated references to GAAP in its financial statements issued for the year ended June 30, 2012. The adoption of FASB ASC 105 did not impact the Organization's financial position or results of operations.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<u>Unrestricted net assets</u> - Net assets that are not subject to donor-imposed stipulations or any restrictions.
<u>Temporarily restricted net assets</u> - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. Included in this category may be gifts held by the Organization pending the use in accordance with donor stipulations, and unexpended gifts for capital projects
<u>Permanently restricted net assets</u> - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At the present time, the Organization does not have any permanently restricted net assets.

Use of estimates
Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and circumstances could alter those estimates.

Cash and cash equivalents
For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase. Cash and cash equivalents for purposes of the statement of cash flows exclude temporarily restricted cash and cash equivalents.

Property and depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment at cost, and all donated property and equipment at fair market value at date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The estimated lives are as follows: furniture and equipment, 5 years; leasehold improvements, 5 years. Generally, the costs of major improvements over $500 are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The cost and accumulated depreciation on property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in income.

Notes to Financial Statements
June 30, 2012

Note 1 - Summary of significant accounting policies (concluded)

Certificates of Deposit

Certificates of deposit are valued at cost, plus accrued interest which approximates fair market value.

Investments

Investments in marketable equity securities and mutual funds with readily determined fair values are carried at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At this time no allowance is considered necessary by the Organization, as no significant write-offs have occurred.

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items in accordance with FASB Accounting Standards Codification 958-605-50-1, formerly, Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made.* All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications

Certain prior year balances may have been reclassified to conform to current year presentation.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code respectively, and is not considered a private foundation within the meaning of section 509(a) of the code.

Notes to Financial Statements
June 30, 2012

Note 2 – Property and equipment

A summary of property and equipment at June 30, 2012 and 2011 are as follows:

Leasehold improvements	$ 11 660	$ 11 660
Furniture and fixtures	54 944	53 344
Software	10 111	10 111
	76 715	75 115
Less: accumulated depreciation	(72 065)	(67 022)
	$ 4 650	$ 8 093

Depreciation and amortization expense for 2012 was $5,039.

Note 3 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Richmond, Virginia, which are insured at the federally insured limits of $250,000. The Organization has not experienced any losses in such accounts. The Organization's unsecured receivables are due from pledges and state agencies for grant reimbursements; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 4 - Certificates of Deposit

The Organization has certificates of deposit. Investments in certificates of deposits are reported at their fair value plus accrued interest, which approximates cost. The certificates of deposit are as follows for the year ended June 30, 2012 and 2011:

	2012	2011
Certificate of deposit, matures November 2016, interest 1.80%	$ 101 171	-
Certificate of deposit, matures November 2011, interest .9%	-	230 293
Certificate of deposit, matures November 2010, interest 1.75%	-	-
Certificate of deposit, matures August 2010, interest 1.85%	-	-
	$ 101 171	$ 230 293

Note 5 – Related Parties

During the years ended June 30, 2012 and 2011, the Organization received $100,000 and $56,424, respectively from Bon Secours Richmond Health System which is included in grants and special events. In addition, Bon Secours Richmond Health System provided shelter facilities to the Organization on a pro bono basis, which is valued at approximately $41,100, during 2012 and 2011, respectively. This use of shelter facilities is governed by a Coopera tive Agreement dated March 1, 1999 and renews annually.

Note 6 – Temporarily restricted net assets

Temporarily restricted net assets include contributions related to program restrictions and amounted to $50,000 and $101,250 for the years ended June 30, 2012 and 2011, respectively. These net assets are included in cash and cash equivalents. Total assets released from restrictions for purpose restrictions amounted to $369,256 for the year ended June 30, 2012.

Notes to Financial Statements
June 30, 2012

Note 7 – Employee Retirement Plan

The Organization sponsors a defined-contribution retirement plan which covers all eligible employees. Contributions to the Plan include a 3% match of an employees' salary and totaled $4,076 and $3,892 in 2012 and 2011, respectively.

Note 8 – Investments

Investments at June 30, 2012 are composed of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	$ 127 837	$ 127 837	$ -
Equities	330 704	337 069	6 365
Limited Partnership - National Resources Partners	8 076	6 651	(1 425)
Mutual funds	37 676	37 780	104
Total	$ 504 293	$ 509 337	$ 5 044

Investment income, for the year ended June 30, 2012 included dividend and interest income of $4,220, realized gains of $2,991 and unrealized gains of $2,125, which is included in other income, on the Statement of Activities.

Note 9 – Subsequent events

In preparing these financial statements, Safe Harbor as evaluated events and transactions for potential recognition or disclosure through September 19, 2012, the date the financial statements were issued.

Note 10 - Leases

The Organization leases its office space under a five year lease, dated October, 2007, amended April 2010, which was extended beginning November 2012 terminating 2017. Rental expense for all operating leases totaled $39,929 annually, in 2012 and 2011, respectively, and is included in occupancy expenses. Total outstanding commitments related to the office lease are as follows:

2013	$ 41 065
2014	42 300
2015	43 576
2016	46 348
2017	32 644
	$ 205 933

The Organization also leases a space for the use as a shelter. The lease dated January 2012, is for a term of twelve months, for an annual payment of $1. The lease may be renewed annually under same conditions and may be terminated by either party given three months notice. The inkind value of the lease is reflected in the statement of activities for a value of $12,000 for the year ended June 30, 2012.

Notes to Financial Statements
June 30, 2012

Note 11 - Fair value measurements

The Organization adopted FASB ASC (Accounting Standards Codification) 820-10-50-2A, "Fair Value Measurements", to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the

amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy under this standard based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Note 12 - Board designated - endowment

During 2012, the Board designated a gift received in the amount of $500,000 as an endowment. The primary objective of the endowment is to invest for the long term growth of capital through capital appreciation and donations. The Board does not anticipate there will be a need to withdraw funds in the next five years. As of June 30, 2012, the endowment fund was invested within a portfolio of equities, mutual funds, and other types of investments. The total balance as of June 30, 2012 within the endowment fund amounted to $509,337, which included investment earnings of $4,220 and unrealized gains/(losses) and realized gains/(losses) of $5,116.