

NATIONAL SAFE PLACE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Safe Place, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of National Safe Place, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Safe Place, Inc. as of December 31, 2012 and 2011, 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.

Deming, Malone, Linsay & Ostroff

Louisville, Kentucky
April 26, 2013

NATIONAL SAFE PLACE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 55,743	\$ 275,680
Grants receivable	226,324	47,000
Interest receivable	1,504	4,537
Pledges receivable	41,519	
Prepaid expenses	23,819	
Inventory	56,812	10,712
Certificates of deposit	300,000	306,659
Property and equipment, net	<u>8,515</u>	<u></u>
 Total assets	 <u>\$ 714,236</u>	 <u>\$ 644,588</u>
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 179,064	\$ 10,207
Due to YMCA	<u>75,603</u>	<u>57,454</u>
 Total liabilities	 <u>254,667</u>	 <u>67,661</u>
 NET ASSETS		
Unrestricted:		
Board designated reserves	346,981	318,265
Undesignated	<u>112,588</u>	<u>211,662</u>
	459,569	529,927
Temporarily restricted	<u></u>	<u>47,000</u>
Total net assets	<u>459,569</u>	<u>576,927</u>
 Total liabilities and net assets	 <u>\$ 714,236</u>	 <u>\$ 644,588</u>

See Notes to Financial Statements.

NATIONAL SAFE PLACE, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Public support, revenues and gains:			
Public support:			
Contributions and grants	\$ 388,042		\$ 388,042
Government grants	<u>410,557</u>		<u>410,557</u>
Total public support	<u>798,599</u>		<u>798,599</u>
Revenues and gains:			
Membership dues	115,751		115,751
Programs	81,156		81,156
Program materials sales	46,442		46,442
Interest income	<u>2,327</u>		<u>2,327</u>
Total revenues and gains	<u>245,676</u>		<u>245,676</u>
Net assets released from restriction	<u>47,000</u>	\$ (47,000)	
Total public support, revenues, and gains	<u>1,091,275</u>	<u>(47,000)</u>	<u>1,044,275</u>
Expenses:			
Program services	975,423		975,423
Management and general	118,900		118,900
Fund-raising	<u>67,310</u>		<u>67,310</u>
Total expenses	<u>1,161,633</u>		<u>1,161,633</u>
(Decrease) increase in total net assets	(70,358)	(47,000)	(117,358)
Net assets at beginning of year	<u>529,927</u>	<u>47,000</u>	<u>576,927</u>
Net assets at end of year	<u>\$ 459,569</u>	<u>\$</u>	<u>\$ 459,569</u>

See Notes to Financial Statements.

2011

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 548,552	\$ 47,000	\$ 595,552
<u>21,025</u>	<u> </u>	<u>21,025</u>
<u>569,577</u>	<u>47,000</u>	<u>616,577</u>
109,700		109,700
7,976		7,976
63,101		63,101
<u>4,392</u>	<u> </u>	<u>4,392</u>
<u>185,169</u>	<u> </u>	<u>185,169</u>
<u>754,746</u>	<u>47,000</u>	<u>801,746</u>
549,870		549,870
102,650		102,650
<u>51,188</u>	<u> </u>	<u>51,188</u>
<u>703,708</u>	<u> </u>	<u>703,708</u>
51,038	47,000	98,038
<u>478,889</u>	<u> </u>	<u>478,889</u>
<u>\$ 529,927</u>	<u>\$ 47,000</u>	<u>\$ 576,927</u>

NATIONAL SAFE PLACE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2012 and 2011

	2012			
	Program Services	Management and General	Fund- Raising	Total
Professional fees and contract services	\$ 476,622	\$ 105,531	\$ 58,148	\$ 640,301
Supplies	19,779	1,444	1,926	23,149
Telephone	8,549	788	1,050	10,387
Postage	5,696	347	695	6,738
Occupancy	23,111	2,633	3,511	29,255
Equipment rental and maintenance	2,426	276	369	3,071
Printing and promotion	77,950			77,950
Travel and employee expenses	65,491			65,491
Conferences, conventions and meetings	182,768	3,038	1,131	186,937
Conference stipends	106,552			106,552
Membership dues	1,372	4,407		5,779
Insurance	3,160	360	480	4,000
Miscellaneous	1,802	76		1,878
Depreciation expense	145			145
Amortization expense				
	<u>\$ 975,423</u>	<u>\$ 118,900</u>	<u>\$ 67,310</u>	<u>\$ 1,161,633</u>
Total functional expenses				

See Notes to Financial Statements.

2011

<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
\$ 336,543	\$ 90,833	\$ 42,899	\$ 470,275
4,447	277	369	5,093
4,297	269	358	4,924
5,908	470	941	7,319
16,876	1,923	2,563	21,362
2,369	270	360	2,999
98,005			98,005
21,066			21,066
44,655	1,191	986	46,832
210	5,500		5,710
3,555	405	540	4,500
3,297	1,512	2,172	6,981
<u>8,642</u>			<u>8,642</u>
<u>\$ 549,870</u>	<u>\$ 102,650</u>	<u>\$ 51,188</u>	<u>\$ 703,708</u>

NATIONAL SAFE PLACE, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from contributions and grants	\$ 577,756	\$ 488,847
Cash received from memberships and services	243,349	180,777
Cash paid to suppliers and employees	(1,044,401)	(586,094)
Interest received	<u>5,360</u>	<u>2,872</u>
Net cash (used in) provided by operating activities	<u>(217,936)</u>	<u>86,402</u>
Cash flows from investing activities:		
Purchase of equipment	(8,660)	
Proceeds from (purchase of) certificates of deposit	<u>6,659</u>	<u>(2,586)</u>
Net cash used in investing activities	<u>(2,001)</u>	<u>(2,586)</u>
Net (decrease) increase in cash and cash equivalents	(219,937)	83,816
Cash and cash equivalents at beginning of year	<u>275,680</u>	<u>191,864</u>
Cash and cash equivalents at end of year	<u>\$ 55,743</u>	<u>\$ 275,680</u>
RECONCILIATION OF (DECREASE) INCREASE IN TOTAL NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
(Decrease) increase in total net assets	<u>\$ (117,358)</u>	<u>\$ 98,038</u>
Adjustments to reconcile (decrease) increase in total net assets to net cash (used in) provided by operating activities:		
Depreciation expense	145	
Amortization expense		8,642
Provision for pledge discounts	3,481	
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(179,324)	(47,000)
Interest receivable	3,033	(1,520)
Pledges receivable	(45,000)	
Prepaid expenses	(23,819)	20,905
Inventory	(46,100)	(450)
Increase (decrease) in:		
Accounts payable	168,857	(3,641)
Due to YMCA	<u>18,149</u>	<u>11,428</u>
Total adjustments	<u>(100,578)</u>	<u>(11,636)</u>
Net cash (used in) provided by operating activities	<u>\$ (217,936)</u>	<u>\$ 86,402</u>

See Notes to Financial Statements.

NATIONAL SAFE PLACE, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations:

National Safe Place, Inc. is a wholly owned subsidiary of the YMCA of Greater Louisville, Inc. (YMCA). National Safe Place, Inc. seeks to provide communities with the network to provide immediate access by teens experiencing crisis or finding themselves “on the street”, to services that offer them immediate care for basic needs, counseling and safety. By doing this, teens are often prevented from committing crimes, entering the justice system, or being in life-threatening situations. This generally also results in significant savings of public dollars required by more expensive interventions.

Primary activities include promotional efforts to help shelters seek local businesses to serve as a Safe Place location and as sponsors of the program, training of those business employees as volunteers in the Safe Place program, training shelter staff in understanding best practices in communicating the availability of the concept to teens both in and out of school systems, providing support services to shelters in expanding the local knowledge of the shelter services provided and helping secure accessibility to shelters by teens in crisis.

National Safe Place has also undertaken the activity of providing training and technical assistance, through funding from a federal grant, to all federally funded runaway and homeless youth service program across the United States and its territories. This training is in the form of national grantee meetings, technical assistance clinics, one day trainings, web based training and on-site training visits.

Summary of significant accounting policies:

This summary of significant accounting policies of National Safe Place, Inc. is presented to assist in understanding National Safe Place, Inc.'s financial statements. The financial statements and notes are the representations of National Safe Place, Inc.'s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. National Safe Place, Inc. reports in accordance with the American Institute of Certified Public Accountants' Industry Audit and Accounting Guide for Not-for-Profit Organizations.

Use of estimates:

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

For purposes of the statement of cash flows, National Safe Place, Inc. considers undesignated cash and investments with original maturities of three months or less, to be cash and cash equivalents.

Inventories:

Inventories of merchandise are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Promises to give:

Contributions are recognized when the donor makes an unconditional promise to give to National Safe Place, Inc. A contribution that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the entire contribution is received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

NOTES TO FINANCIAL STATEMENTS

Property and Equipment:

Property and equipment is stated at cost, or in the case of donated property and equipment, at fair value at the time received. National Safe Place, Inc. policy is to capitalize expenditure greater than \$5,000 with an estimated life greater than one year. Depreciation and amortization is recorded on a straight-line method over the estimated useful life of 3 – 5 years.

Advertising and promotion:

Advertising and promotion costs are expensed as incurred. Advertising and promotion costs for 2012 and 2011 were \$77,950 and \$98,005, respectively.

Designation of unrestricted net assets:

It is the policy of the Board of Directors of the Organization to designate appropriate sums of unrestricted net assets for future maintenance and operations.

Donations other than cash:

Donations other than cash are recorded at their fair market value as of the date of donation. Donated services must meet the specific expertise requirements and would normally have been purchased before they are recorded. Donations of long-lived assets with explicit restrictions that specify how the assets are to be used and donations of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, National Safe Place, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income tax status:

The Organization is exempt from federal, state and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction and with the Kentucky Office of the Attorney General. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2012 and 2011, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended. Tax years still open under federal and state statute of limitations remain subject to review and change.

Subsequent event:

Subsequent events have been evaluated through April 26, 2013, which is the date the financial statements were available to be issued.

Note 2. Certificates of Deposit

National Safe Place, Inc.'s investments consist of six certificates of deposit, with financial institutions located in Kentucky, with original maturities greater than three months. The interest rates on the certificates of deposit range from 0.40% to 0.85% and maturity dates range from July 2013 to January 2014.

Note 3. Contributions and Grant Receivable and Revenues

Grant receivable and revenues consists of the following as of December 31, 2012 and 2011:

	2012	
	<u>Receivable</u>	<u>Revenue</u>
Federal grants	\$221,324	\$410,557
CSX Corporation		200,000
Gheens Foundation		15,000
Tulsa Community Foundation		75,000
Southwest Airlines		15,000
Other	<u>5,000</u>	<u>83,042</u>
	<u>\$226,324</u>	<u>\$798,599</u>

NOTES TO FINANCIAL STATEMENTS

	2011	
	Receivable	Revenue
Federal grants		\$ 21,025
CSX Corporation		200,000
Tulsa Community Foundation		75,000
QuickTrip Corporation		70,000
Southwest Airlines	\$15,000	40,000
Southwest Airlines – in-kind donation	32,000	64,000
Sprint Foundation		20,000
AMP Agency – in-kind donation		42,030
Other		77,822
Other – in-kind donation		6,700
	\$47,000	\$616,577

Note 4. Pledge Receivable

National Safe Place, Inc. received an unconditional pledge to be used for operations. The pledge receivable after one year from date of pledge was discounted using an interest rate of four percent.

Due less than one year	\$15,000
Due one to five years	<u>30,000</u>
	45,000
Less discount to net present value	<u>(3,481)</u>
Net unconditional promises to give	<u>\$41,519</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Property and Equipment, Net

A summary of property and equipment an accumulated amortization and depreciation at December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>	
Leasehold improvement	\$ 8,660		
Accumulated depreciation	(145)		
Software	38,891	\$ 38,891	
Accumulated amortization	<u>(38,891)</u>	<u>(38,891)</u>	
	<u>\$ 8,515</u>	<u>\$ _____</u>	

Note 6. Changes in Temporarily Restricted Net Assets

	<u>Balance</u>		<u>Balance</u>		<u>Balance</u>
<u>Program</u>	<u>12/31/10</u>	<u>Revenues</u>	<u>12/31/11</u>	<u>Releases</u>	<u>12/31/12</u>
Heroes	<u>_____</u>	<u>\$47,000</u>	<u>\$47,000</u>	<u>\$(47,000)</u>	<u>_____</u>

Note 7. Related Party Transactions

The YMCA of Greater Louisville, Inc. (YMCA) is considered a related party due to its majority voting interest in National Safe Place, Inc.

National Safe Place, Inc. entered into a contract service agreement with the YMCA whereby certain employees of the YMCA provide full-time management and administrative services to National Safe Place, Inc. National Safe Place, Inc. reimburses the YMCA for the salaries, related personnel expenses and management fees incurred under this agreement. Total expenses incurred under this contract for the years ended December 31, 2012 and 2011 were as follows:

NOTES TO FINANCIAL STATEMENTS

	<u>2012</u>	<u>2011</u>
Salary expense	\$365,738	\$290,542
Management fees	40,000	39,000
Health insurance	17,180	13,956
Retirement expense	32,114	20,671
Payroll taxes	27,072	21,587
Unemployment and other	<u>11,234</u>	<u>10,139</u>
	<u>\$493,338</u>	<u>\$395,895</u>

For the years ended December 31, 2012 and 2011 National Safe Place, Inc. had a liability to the YMCA of \$75,603 and \$57,454 for contract services, respectively.

National Safe Place, Inc. has entered into a verbal month to month rental agreement with the YMCA for office space for \$1,500 per month. Total rent expense for the years ended December 31, 2012 and 2011 was \$18,000 and is included in occupancy expense.

Note 8. Trademark Licensing Agreement

The Safe Place logo is trademarked and owned by the YMCA. The Licensing Agreement is renewable in three year terms until either the YMCA or National Safe Place, Inc. provide a thirty day written notice to terminate. Effective March 12, 2012 the licensing agreement was renewed. The agreement is terminable at the time agreed upon by both the YMCA and National Safe Place, Inc. or upon 30 day written notice by the YMCA. All modifications or use of the logo is subject to the approval of the YMCA.

Note 9. Operating Lease

In December 2012, National Safe Place, Inc. committed to a five year lease, with monthly payments of \$5,000, with BJ Real Estate, LLC for a building located at 2429 Crittenden Drive Louisville, Kentucky.

NOTES TO FINANCIAL STATEMENTS

Following is the future minimum operating lease payments pertaining to the lease described above:

December 31, 2013	\$55,000
2014	60,000
2015	60,000
2016	60,000
2017	55,000

Note 10. Commitments and Contingencies

National Safe Place has entered into a three year contract with Workflowone, LLC in June 2012. Workflowone, LLC will provide certain print and promotional products, product management and customer communication solutions and related services to National Safe Place and its members. Workflowone, LLC will also provide a secure website for sales of National Safe Place Products and the storage and distribution of all inventory items. Workflowone, LLC will invoice National Safe Place for any products for which National Safe Place has not previously paid that has been in the distribution center for longer than twelve months. National Safe Place estimates that \$200,000 will be expended each year relating to these contract services and products.

Note 11. Subsequent Events

National Safe Place, Inc. is in negotiations with Youth and Family Services Network, Inc. for the potential merger of the two organizations. Youth and Family Services Network, Inc. is a 501(C)(3) organization based in Florida that offers training and technical assistance to its youth and family service member organizations. The merged organization will continue to offer these services to members and licensed Safe Place organizations.

Note 12. Long-term Federal Grant for Runaway and Homeless Youth Program

National Safe Place, Inc. was awarded a grant from the U.S. Department of Health and Human Services in October 2012 for approximately \$10.5 million to conduct the Runaway and Homeless Youth Training and Technical Assistance Center program. The grant will be payable to the Organization over a five year period of approximately \$2.1 million a year. As part of the grant agreement National Safe Place, Inc. is required to provide \$233,333 a year in non-federal matching contributions to the program.