Report of Independent Auditors and
Financial Statements for

Sojourner Center

June 30, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Sojourner Center

Report on the Financial Statements

We have audited the accompanying financial statements of Sojourner Center (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 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 Sojourner Center as of June 30, 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.

Subsequent Event

As discussed in Note 11 to the financial statements, on September 19, 2015, the Organization effectively closed its Hope Campus. If the Organization is unable to obtain additional funds to improve the facility it would record an impairment of the related leasehold improvements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Sojourner Center's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, issued under separate cover, on our consideration of Sojourner Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sojourner Center's internal control over financial reporting and compliance.

Moss Adams LLP

Scottsdale, Arizona
February 19, 2016

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SOJOURNER CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 306,318	$ 1,394,560
Investments	1,526,042	1,585,642
Accounts receivable	211,622	192,642
Promises to give, net	419,121	533,402
Prepaid expenses	3,885	97,232
Property and equipment, net	11,030,848	11,632,989
Endowment		
Investments	1,809,091	1,796,440
Promises to give, net	26,000	36,800
Total assets	$ 15,332,927	$ 17,269,707

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable and accrued expenses	$ 61,778	$ 224,244
Accrued payroll	253,008	223,918
Long-term debt	3,157,394	3,157,394
Total liabilities	3,472,180	3,605,556
NET ASSETS		
Unrestricted	9,408,333	11,297,509
Temporarily restricted	617,323	533,402
Permanently restricted	1,835,091	1,833,240
Total net assets	11,860,747	13,664,151
	$ 15,332,927	$ 17,269,707

See accompanying notes.

	Year Ended June 30, 2015 (with Comparative Totals for the Year Ended June 30, 2014)				
		Temporarily	Permanently	Totals	
	Unrestricted	Restricted	Restricted	2015	2014
SUPPORT AND REVENUE					
Government grants and contracts	$ 2,636,112	$ -	$ -	$ 2,636,112	$ 2,537,417
Contributions, donated services, and materials	1,531,783	598,145	1,851	2,131,779	2,127,066
Allocations by United Way agencies	-	104,000	-	104,000	104,000
Investment income	83,518	-	-	83,518	257,699
Write down of property and equipment	(232,118)	-	-	(232,118)	-
Loss on disposition of equipment	-	-	-	-	(24,211)
Insurance proceeds on impaired assets	38,513	-	-	38,513	-
Other revenues	73,303	-	-	73,303	95,934
Total support and revenue before net assets released from restriction	4,131,111	702,145	1,851	4,835,107	5,097,905
NET ASSETS RELEASED FROM RESTRICTION					
Expiration of time restrictions	168,136	(168,136)	-	-	-
Satisfaction of purpose restrictions	405,067	(405,067)	-	-	-
Total net assets released from restriction	573,203	(573,203)	-	-	-
Total revenue and releases	4,704,314	128,942	1,851	4,835,107	5,097,905
EXPENSES					
Program services	3,694,351	-	-	3,694,351	4,998,016
Fundraising and development	940,950	45,021	-	985,971	1,060,984
Management and general	1,958,189	-	-	1,958,189	908,717
Total expenses	6,593,490	45,021	-	6,638,511	6,967,717
CHANGE IN NET ASSETS	(1,889,176)	83,921	1,851	(1,803,404)	(1,869,812)
NET ASSETS, beginning of year	11,297,509	533,402	1,833,240	13,664,151	15,533,963
NET ASSETS, end of year	$ 9,408,333	$ 617,323	$ 1,835,091	$ 11,860,747	$ 13,664,151

SOJOURNER CENTER
STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015 (with Comparative Totals for the Year Ended June 30, 2014)

	Program Services	Fundraising and Development	Management and General	Totals 2015	Totals 2014
Salaries	$ 1,591,499	$ 279,100	$ 1,006,692	$ 2,877,291	$ 2,946,562
Payroll taxes and benefits	315,773	50,177	241,456	607,406	541,515
Total salaries and related expenses	1,907,272	329,277	1,248,148	3,484,697	3,488,077
Professional fees	2,707	269,238	89,546	361,491	423,624
Food and supplies	315,797	875	85,181	401,853	303,188
Occupancy expenses	204,057	1,270	275,195	480,522	446,120
Communication and network	5,962	20,281	76,810	103,053	110,849
Travel, meals, and lodging	14,050	3,402	23,093	40,545	59,982
Events and newsletters	547	85,182	1,307	87,036	97,535
Promises to give written off	-	45,021	-	45,021	471,406
General expenses	14,816	31,554	35,357	81,727	89,473
In-kind expenses	996,047	137,661	-	1,133,708	986,437
Depreciation	233,096	62,210	123,552	418,858	491,026
	$ 3,694,351	$ 985,971	$ 1,958,189	$ 6,638,511	$ 6,967,717

See accompanying notes.

	Years Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,803,404)	$ (1,869,812)
Adjustment to reconcile changes in net assets to cash used for operating activities		
Depreciation	418,858	491,026
Realized and unrealized gain on investments	(1,358)	(214,582)
Write down of property and equipment	232,118	-
Loss on disposition of property and equipment	-	24,211
Change in discount on promises to give	(394)	(12,163)
Promises to give written off	45,021	471,406
Provision for uncollectible promises to give	-	(25,817)
Changes in operating assets and liabilities		
Accounts receivable	(18,980)	187,158
Promises to give	80,454	175,325
Prepaid expenses	93,347	(88,243)
Accounts payable and accrued expenses	(162,466)	110,544
Accrued payroll	29,090	32,211
Net cash used for operating activities	(1,087,714)	(718,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,127,565	1,700,704
Purchases of investments	(2,081,109)	(1,693,348)
Purchases of property and equipment	(48,835)	(274,124)
Net cash used for investing activities	(2,379)	(266,768)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to investment in long-term purposes	1,851	31,784
Net cash provided by financing activities	1,851	31,784
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,088,242)	(953,720)
CASH AND CASH EQUIVALENTS, beginning of year	1,394,560	2,348,280
CASH AND CASH EQUIVALENTS, end of year	$ 306,318	$ 1,394,560

Note 1 – Nature of Operations and Significant Accounting Policies

Sojourner Center (the "Organization") is an Arizona nonprofit corporation with a mission to overcome the impact of domestic violence one life at a time. The Organization was formed in 1977 and has provided safety, shelter and an array of supportive services to victims of domestic violence for over 35 years. The Organization not only provides emergency shelter, but also offers extensive and comprehensive programs to help victims of domestic violence rebuild and redirect their lives. These programs provide a continuum of services including prevention and intervention, community education and victim advocacy. The Organization provides food, clothing and other basic needs for victims and families; licensed childcare; a 24-hour crisis hotline; support to address career, education, and job advancement; legal advocacy; transitional housing; support groups; and domestic violence dynamics education classes for women and children whose lives have been affected by domestic violence.

The Organization receives funds from certain governmental entities that are used to support domestic violence service programs and initiatives, and to pay operating expenses. The revenue from these entities is classified as unrestricted funds and is included in the accompanying statement of activities as government grants and contracts.

The Organization seeks and obtains grants and contributions from corporations, foundations, and individuals to support service programs and operating expenses for the current year and future years. Donors may provide unrestricted contributions, which are pooled and used to support service programs. Donors may direct their contributions for use in a specific manner or for a particular program. Contributions may also be directed to a permanent endowment for support of future programs and initiatives. All contributions are classified according to donors' designations and are reported in the accompanying statement of activities as unrestricted, temporarily restricted or permanently restricted contributions.

Note 2 – Significant Accounting Policies

Net asset classification – The Organization reports information regarding its statements of financial position and activities and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are considered unrestricted unless specifically restricted by the donor. Donor restricted contributions where the restrictions are met within the same year as received are reported as unrestricted revenue in the accompanying financial statements.

Unrestricted net assets – Unrestricted net assets are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Unrestricted net assets include nonrestricted revenue available to fund programs and operating expenses; and Board designated quasi-endowment amounts approved by the Board of Directors for long-term investment purposes.

Note 2 – Significant Accounting Policies (continued)

Temporarily restricted net assets – Temporarily restricted net assets are assets subject to explicit restrictions imposed by the donor for a specific purpose or time period when the restriction is not met within the year of receipt and the restriction is not permanent.

Permanently restricted net assets – Permanently restricted net assets are assets subject to explicit restrictions imposed by the donor to be maintained in perpetuity by the Organization. Permanently restricted net assets consist of an endowment that require the funds be invested permanently with the income or investment return to be made available for future use.

Prior year summarized information – The financial statements include certain prior-year information for comparative purposes in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Cash and cash equivalents – The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organization are excluded from this definition.

Cash equivalents which consist of highly liquid financial instruments might potentially expose the Organization to credit risk. Deposits are placed with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Organization, at times, maintains cash at financial institutions in excess of the Federal Deposit Insurance Corporation limits.

Accounts receivable – Accounts receivable consist primarily of amounts due from governmental agencies and accordingly, credit risk is limited. Contracts are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. Management considers the accounts receivable balances at June 30, 2015 and 2014 to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary.

As of June 30, 2015 and 2014, 76% and 77% of accounts receivable were from agencies related to the state of Arizona, respectively. 19% and 18% of accounts receivable were from agencies related to the federal government as of June 30, 2015 and 2014, respectively.

Note 2 – Significant Accounting Policies (continued)

Investments – Available funds are invested in certificates of deposits, corporate bonds, and equity securities. The Organization's investments are governed by an investment policy with guidelines for allowable investment securities, asset allocation, and maturities. Equity securities with readily determinable fair values and debt securities are measured at fair value based on quoted market prices. Net investment gain/(loss) is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized gains and losses, less investment management and custodial fees. Investment related expenses totaled approximately $22,443 and $15,976 in 2015 and 2014, respectively.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Property and equipment and related depreciation – Purchased property and equipment is valued at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Routine maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of $1,000 is capitalized. When property and equipment is sold, impaired or otherwise disposed of, the asset and related accumulated depreciation accounts are reduced, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Buildings	40 years
Leasehold improvements	15-25 years
Furniture and equipment	3-7 years

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with generally accepted accounting principles which require that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Note 2 – Significant Accounting Policies (continued)

Governmental grants and contracts revenue – The Organization recognizes amounts received from grants and contracts as earned when (a) services are rendered under a unit of service method or (b) over time as provided in the contract. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contract. Grants and contracts with various federal and state agencies represent approximately 55% and 49% of the Organization's total support and revenues for the years ended June 30, 2015 and 2014, respectively.

Contributions and promises to give – Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities and changes in net assets. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Gifts in-kind and donated services – Donated services are recognized as contributions in accordance with generally accepted accounting principles if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased.

Gifts in-kind and donated services are included in contributions, donated services and materials and totaled $1,133,708 and $969,417 as of June 30, 2015 and 2014, respectively.

The Organization receives the services of many volunteers to perform a variety of tasks that assist the Organization with specific programs, campaign solicitations, and various committee assignments. Since the services provided do not require specialized skills, they have not been valued in the accompanying financial statements. The total hours of service were 7,400 (unaudited) and 15,764 (unaudited) as of June 30, 2015 and 2014.

Functional expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications – Certain amounts were reclassified in the 2014 financial statements to conform to the 2015 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets

Note 2 – Significant Accounting Policies (continued)

Income tax status – The Organization qualifies as a tax-exempt organization under Section 50l(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation.

Income determined to be unrelated business taxable income (UBTI) would be taxable. The Organization believes all activities meet exempt purposes and no material uncertain tax positions have been identified or recorded in the accompanying financial statements at June 30, 2015 and 2014.

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.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through February 19, 2016, the date which the financial statements were available to be issued. Subsequent events requiring disclosures are discussed in Note 11.

Note 3 – Endowment

In 2005, the Organization began a capital campaign to raise funds for expansion of the facility. As part of the campaign, the Organization provided any excess funds over the cost of the expansion would be used to create a permanent endowment for the benefit of the Organization. Funds were placed in a restricted cash account and used to pay for construction costs as these occurred. The endowment has accumulated cash and pledges in excess of capital expansion costs totaling $1,809,091 and $1,796,440 in investments and $26,000 and $36,800 in pledges net of allowance for collectability as of June 30, 2015 and 2014. These investments and receivables are included in permanently restricted net assets.

The Board of Directors has interpreted the Arizona 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, unless there are 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 endowment, (b) the original value of subsequent gifts donated to endowment including promises to give net of discount and allowance for doubtful accounts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in determining whether to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policy of the Organization

Note 3 – Endowment (continued)

As of June 30, 2015 and 2014, the Organization had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2015				
Board designated quasi-endowment	$ 1,145,300	$ -	$ -	$ 1,145,300
Donor restricted for permanent endowment	-	-	1,835,091	1,835,091
	$ 1,145,300	$ -	$ 1,835,091	$ 2,980,391
June 30, 2014				
Board designed quasi-endowment	$ 1,216,849	$ -	$ -	$ 1,216,849
Donor restricted for permanent endowment	-	-	1,833,240	1,833,240
	$ 1,216,849	$ -	$ 1,833,240	$ 3,050,089

The Organization has adopted investment and spending policies for the endowment that attempt to provide a reasonable level on income for operations while maintaining or enhancing the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate of return objective, the investment portfolio is structured on a total return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and the current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Organization uses an endowment spending rate to determine the amount to appropriate from the endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the fair value of the endowment investments at June 30 of each year to determine the amount for the upcoming year. During 2015 and 2014, the spending rate was 5%. To date, no appropriations from endowment have been made.

Note 3 – Endowment (continued)

Changes in endowment net assets for the years ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,216,849	$ -	$ 1,833,240	$ 3,050,089
Investment income, net	20,040	-	-	20,040
Net realized and unrealized loss	(321)	-	-	(321)
	1,236,568	-	1,833,240	3,069,808
Transfer of donor restricted funds	(12,000)	-	-	(12,000)
Change in pledges		-	1,851	1,851
Undesignation of board designated quasi-endowment assets	(79,268)	-	-	(79,268)
Endowment net assets, end of year	$ 1,145,300	$ -	$ 1,835,091	$ 2,980,391

Changes in endowment net assets for the year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,091,525	$ -	$ 1,801,456	$ 2,892,981
Investment income, net	14,198	-	-	14,198
Net realized and unrealized gain	81,997	-	-	81,997
	1,187,720	-	1,801,456	2,989,176
Transfer of donor restricted funds	54,946	-	-	54,946
Change in pledges	-	-	31,784	31,784
Undesignation of board designated quasi-endowment assets	(25,817)	-	-	(25,817)
Endowment net assets, end of year	$ 1,216,849	$ -	$ 1,833,240	$ 3,050,089

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2015	2014
Time restricted	$ 419,121	$ 429,402
Promises to give		
Purpose restricted		
Grants and donations	198,202	104,000
Temporarily restricted net assets	$ 617,323	$ 533,402

Note 5 – Fair Value of Assets

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

Note 5 – Fair Value of Assets (continued)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

The related fair values of these assets are determined as follows at June 30, 2015:

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Domestic equity securities	$ 933,575	$ -	$ -	$ 933,575
Mutual funds	1,533,765	-	-	1,533,765
Corporate bonds	-	496,701	-	496,701
Certificates of deposit	-	348,308	-	348,308
Funds held at Arizona				
Community Foundation	-	22,784	-	22,784
Total assets	$ 2,467,340	$ 867,793	$ -	$ 3,335,133

The related fair values of these assets are determined as follows at June 30, 2014:

	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Domestic equity securities	$ 819,049	$ -	$ -	$ 819,049
Mutual funds	994,441	-	-	994,441
Corporate bonds	-	550,697	-	550,697
Certificates of deposit	-	995,762	-	995,762
Funds held at Arizona	-	-	-	-
Community Foundation	-	22,133	-	22,133
Total assets	$ 1,813,490	$ 1,568,592	$ -	$ 3,382,082

Investments consist of the following at June 30:

	2015	2014
Unrestricted investments	$ 1,526,042	$ 1,585,642
Endowment investments	1,809,091	1,796,440
	$ 3,335,133	$ 3,382,082

Note 5 – Fair Value of Assets (continued)

Mutual funds are valued at the publicly quoted net asset value of shares held by the Organization at year end. Certificates of deposit, equity securities and corporate bonds are valued at the closing price reported on the active market on which the individual securities are traded. Funds held at the Arizona Community Foundation are valued using quoted prices for similar assets in active markets and can be redeemed at any time by the Organization. The underlying assets can be tied to quoted market prices, which are observable inputs.

Note 6 – Net Investment Income

Net investment income consists of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividends	$ 82,160	$ 43,117
Net realized/unrealized investment gain	1,358	214,582
	$ 83,518	$ 257,699

Note 7 – Unconditional Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30:

	2015	2014
Unconditional promises to give due in less than one year	$ 377,160	$ 360,442
Unconditional promises to give due in one to five years	181,580	323,501
Unconditional promises to give due in greater than five years	-	2,259
Total promises to give	558,740	686,202
Less discounts to net present value	(16,099)	(16,493)
Less allowance for uncollectible promises to give	(97,520)	(99,507)
Net promises to give	$ 445,121	$ 570,202

Note 7 – Unconditional Promises to Give (continued)

Unconditional promises to give consist of the following at June 30:

	2015	2014
Unconditional promises to give, net	$ 419,121	$ 533,402
Endowment promises to give, net	26,000	36,800
	$ 445,121	$ 570,202

The estimated cash flows for the promises to give were discounted over the collection period using a discount rate as determined by management. Promises to give are discounted at 3% based on rates for intermediate U.S. treasury securities.

Note 8 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Cost and donated value		
Buildings	$ 11,277,058	$ 11,538,759
Leasehold improvements	1,527,355	1,732,314
Furniture and equipment	739,052	581,668
	13,543,465	13,852,741
Less accumulated depreciation	(3,431,495)	(3,138,630)
Land	918,878	918,878
	$ 11,030,848	$ 11,632,989

Depreciation expense charged to operations was $418,858 and $491,026 for 2015 and 2014.

During the fiscal year ended June 30, 2015, the Organization performed a physical inventory of its property and equipment and reduced the carrying value of its property and equipment by $232,118. This amount is included in the statement of activities and changes in net assets in write down of property and equipment as of June 30, 2015.

Note 9 – Long-Term Debt

The Organization obtained a Community Development Block Grant ("CDBG") construction loan in February 1993 from the City of Phoenix. The loan, in the amount of $168,000, was to acquire and improve certain facilities to provide shelter, transitional housing, counseling and related services to persons affected by domestic violence. Based on the terms of the agreement, the Organization must use the facilities for the specified purpose for a period of 20 years from the date of issuance of the certificate of occupancy. The related mortgage is for a period of 50 years.

The Organization obtained a CDBG construction loan on April 15, 2004, from the City of Phoenix to expand its facility. The loan, in the amount of $1,000,000, is secured by a deed of trust and is noninterest bearing. The entire unpaid balance is due on the later of the expiration of the period of affordability or 35 years. If the Organization is not in default under the loan agreement, the Organization shall receive a credit against the principal amount due commencing on the eleventh anniversary of the date of the Certificate of Completion and each year thereafter, in an annual amount equal to four percent of the original principal loan amount.

On December 19, 2008, the Organization obtained another CDBG construction loan from the City of Phoenix to further expand its facility. The loan, in the amount of $1,500,000, is secured by a deed of trust and is noninterest bearing. If the Organization is not in default under the loan agreement, the Organization shall receive a credit against the principal amount due on the 40th anniversary of the Certificate of Completion of the facility expansion.

On July 25, 2005, the Organization obtained a $489,394 note payable with the Arizona Department of Housing. The note is secured by a deed of trust, bears a zero percent interest rate and is forgivable at the end of a 20 year period. The loan is to be used for transitional housing.

No interest was capitalized for the years ended June 30, 2015 and 2014, respectively.

Note 10 – Retirement Plan

The Organization sponsors a 403(b) retirement plan which covers all employees after specified periods of service and eligibility requirements have been met. The Organization withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute up to 20 percent of their eligible compensation on a pretax basis to the plan, up to the maximum allowed by the Internal Revenue Code. The Organization matches up to 50% of what an employee contributes up to 6% of their salary. During the years ended June 30, 2015 and 2014, the Organization's matching contribution expense was approximately $19,532 and $18,907, respectively.

Note 11 – Subsequent Event

On September 19, 2015, the Organization's Hope Campus was temporarily closed. The Organization is in the process of negotiating with the City of Phoenix for additional funds to improve the facility and resume operating the facility as a domestic violence shelter. The Organization has $1,097,444 of leasehold improvements, net of accumulated depreciation, related to this facility. If the Organization is unable to obtain additional funds to improve the facility it would record a full impairment of the leasehold improvements.

In December 2015, the Organization received a grant of $1,000,000 from The Kemper and Ethel Marley Foundation. The grant will support the establishment of the Sojourner BRAIN Program which seeks to test and develop best practices and theories in the area of domestic violence and traumatic brain injury (TBI). The goal is to create an innovative standard model of care to diagnose and treat those impacted by domestic violence who are affected by TBI, including women, men, and children to enable them to successfully integrate into society in a productive manner. This grant will support medical professionals, assessment and treatment protocol development, equipment, personnel, infrastructure, research and facilities costs. $500,000 of this grant was received in December 2015 with the remaining to be received over the next four years.