



Report of Independent Auditors and  
Financial Statements for  
**Sojourner Center**  
June 30, 2016 and 2015

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

## **CONTENTS**

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	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities and changes in net assets	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7-18

## 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, 2016, 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. 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 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 Sojourner Center as of June 30, 2016, 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.

***Correction of Error***

As described in Note 12 to the financial statements, in fiscal year 2016 management discovered certain errors resulting in the misstatement of amounts previously reported as endowment assets and permanently restricted net assets as of July 1, 2014 and has restated the 2015 financial statements to correct these errors. Our opinion is not modified with respect to that matter.

***Report on Summarized Comparative Information***

We have previously audited Sojourner Center's 2015 financial statements, before restatement, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2016. As part of our audit of the 2016 financial statements, we also audited the adjustments described in Note 12 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Also in our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements and restatement adjustment from which it has been derived.

*Moss Adams LLP*

Scottsdale, Arizona  
April 27, 2017

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**SOJOURNER CENTER**  
**STATEMENTS OF FINANCIAL POSITION**

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**ASSETS**

	June 30,	
	2016	2015 (restated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 489,660	\$ 306,318
Investments	2,191,071	3,335,133
Accounts receivable	259,251	211,622
Promises to give, net	509,948	445,121
Prepaid expenses	2,126	3,885
Property and equipment, net	9,578,371	11,030,848
	<u>\$ 13,030,427</u>	<u>\$ 15,332,927</u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 183,117	\$ 61,778
Accrued payroll	156,400	253,008
Long-term debt	3,157,394	3,157,394
	<u>3,496,911</u>	<u>3,472,180</u>
<b>NET ASSETS</b>		
Unrestricted net assets		
Undesignated	1,752,995	2,198,670
Board designated quasi-endowment	260,314	1,145,300
Investment in property and equipment	6,420,977	7,873,454
	<u>8,434,286</u>	<u>11,217,424</u>
Temporarily restricted net assets	<u>1,099,230</u>	<u>643,323</u>
	<u>9,533,516</u>	<u>11,860,747</u>
	<u>\$ 13,030,427</u>	<u>\$ 15,332,927</u>

**SOJOURNER CENTER**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30, 2016 (with Comparative Totals for the Year Ended June 30, 2015)			
	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
<b>SUPPORT AND REVENUE</b>				
Government grants and contracts	\$ 2,696,341	\$ -	\$ 2,696,341	\$ 2,636,112
Contributions, gifts in-kind, donated services, and materials	1,983,490	1,315,181	3,298,671	2,131,779
Allocations by United Way agencies	-	-	-	104,000
Other revenues	80,634	-	80,634	73,303
Total support and revenue before net assets released from restriction	<u>4,760,465</u>	<u>1,315,181</u>	<u>6,075,646</u>	<u>4,945,194</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>				
Expiration of time restrictions	419,121	(419,121)	-	-
Satisfaction of purpose restrictions	440,153	(440,153)	-	-
Total net assets released from restriction	<u>859,274</u>	<u>(859,274)</u>	<u>-</u>	<u>-</u>
Total support, revenue, and releases	<u>5,619,739</u>	<u>455,907</u>	<u>6,075,646</u>	<u>4,945,194</u>
<b>EXPENSES</b>				
Program services	4,596,535	-	4,596,535	3,694,351
Fundraising and development	1,178,619	-	1,178,619	985,971
Management and general	1,560,187	-	1,560,187	1,958,189
Total expenses	<u>7,335,341</u>	<u>-</u>	<u>7,335,341</u>	<u>6,638,511</u>
Change in net assets from operations	<u>(1,715,602)</u>	<u>455,907</u>	<u>(1,259,695)</u>	<u>(1,693,317)</u>
<b>OTHER CHANGES IN NET ASSETS</b>				
Investment income	31,300	-	31,300	83,518
Impairment of property and equipment	-	-	-	(232,118)
Loss on disposition of property and equipment	(1,098,836)	-	(1,098,836)	-
Insurance proceeds on impaired assets	-	-	-	38,513
Total other changes in net assets	<u>(1,067,536)</u>	<u>-</u>	<u>(1,067,536)</u>	<u>(110,087)</u>
CHANGE IN NET ASSETS	<u>(2,783,138)</u>	<u>455,907</u>	<u>(2,327,231)</u>	<u>(1,803,404)</u>
NET ASSETS, beginning of year	<u>11,217,424</u>	<u>643,323</u>	<u>11,860,747</u>	<u>13,664,151</u>
NET ASSETS, end of year	<u>\$ 8,434,286</u>	<u>\$ 1,099,230</u>	<u>\$ 9,533,516</u>	<u>\$ 11,860,747</u>

**SOJOURNER CENTER**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended June 30, 2016 (with Comparative Totals for the Year Ended June 30, 2015)				
	Program Services	Fundraising and Development	Management and General	Totals	
				2016	2015
Salaries	\$ 2,225,663	\$ 304,690	\$ 521,779	\$ 3,052,132	\$ 2,877,291
Payroll taxes and benefits	421,810	67,141	146,163	635,114	607,406
Total salaries and related expenses	2,647,473	371,831	667,942	3,687,246	3,484,697
Professional fees	124,482	262,491	230,383	617,356	361,491
Food and supplies	286,894	2,003	11,304	300,201	401,853
Occupancy expenses	419,013	1,220	57,577	477,810	480,522
Communication and network	27,944	22,757	105,522	156,223	103,053
Travel, meals, and lodging	21,340	8,343	31,109	60,792	40,545
Events and newsletters	3,231	76,423	74	79,728	87,036
Promises to give written-off	-	268,707	-	268,707	45,021
General expenses	40,950	22,252	49,869	113,071	81,727
In-kind expenses	1,025,208	142,045	250	1,167,503	1,133,708
Depreciation	-	547	406,157	406,704	418,858
	<u>\$ 4,596,535</u>	<u>\$ 1,178,619</u>	<u>\$ 1,560,187</u>	<u>\$ 7,335,341</u>	<u>\$ 6,638,511</u>

**SOJOURNER CENTER**  
**STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,327,231)	\$ (1,803,404)
Adjustment to reconcile changes in net assets to cash used for operating activities		
Depreciation	406,704	418,858
Realized and unrealized loss (gain) on investments	42,033	(1,358)
Impairment of property and equipment	-	232,118
Loss on disposition of property and equipment	1,098,836	-
Change in discount on promises to give	-	(394)
Promises to give written-off	268,707	45,021
Donated property and equipment	(32,803)	-
Changes in operating assets and liabilities		
Accounts receivable	(47,629)	(18,980)
Promises to give	(333,534)	80,454
Prepaid expenses	1,759	93,347
Accounts payable and accrued expenses	121,339	(162,466)
Accrued payroll	(96,608)	29,090
Net cash used for operating activities	<u>(898,427)</u>	<u>(1,087,714)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,723,973	2,127,565
Purchases of investments	(621,944)	(2,081,109)
Purchases of property and equipment	(20,260)	(48,835)
Net cash provided by (used for) investing activities	<u>1,081,769</u>	<u>(2,379)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted to investment in long-term purposes	-	1,851
Net cash provided by financing activities	<u>-</u>	<u>1,851</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	183,342	(1,088,242)
CASH AND CASH EQUIVALENTS, beginning of year	<u>306,318</u>	<u>1,394,560</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 489,660</u>	<u>\$ 306,318</u>

## **SOJOURNER CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1 – Nature of Operations**

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 statements 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 statements 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 endowment amounts approved by the Board of Directors for long-term investment purposes.

**SOJOURNER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**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. As of June 30, 2016 and 2015, the Organization did not have any permanently restricted net assets.

**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, 2015, and the restatement adjustment described in Note 12, 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. The Organization, at times, maintains cash at financial institutions in excess of the Federal Deposit Insurance Corporation limits.

**Accounts receivable** – Accounts receivable are non-interest bearing and 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, 2016 and 2015 to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary.

As of June 30, 2016 and 2015, 83% and 76% of accounts receivable were from agencies related to the state of Arizona, respectively. 13% and 19% of accounts receivable were from agencies related to the federal government as of June 30, 2016 and 2015, respectively.

# SOJOURNER CENTER

## NOTES TO FINANCIAL STATEMENTS

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### Note 2 – Significant Accounting Policies (continued)

**Investments** – Available funds are invested in money market funds, certificates of deposits, corporate bonds, equity securities, and funds held by others. The Organization's investments are governed by an investment policy with guidelines for allowable investment securities, asset allocation, and maturities. Investments are reported at fair value. Net investment income (loss) is reported in the statements 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 \$26,785 and \$22,443 in 2016 and 2015, 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. Deposits are placed with financial institutions insured by the Securities Investor Protection Corporation. The Organization, at times, maintains investments at financial institutions in excess of the Securities Investor Protection Corporation limits.

**Property and equipment** – 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 and having a useful life of more than one year 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	Shorter of estimated useful life (15-25 years) or lease term
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 44% and 53% of the Organization's total support and revenues for the years ended June 30, 2016 and 2015, respectively.

**Contributions and promises to give** – Contributions received and unconditional promises to give are recorded as revenue at fair value in the period the contribution or promise is received. 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 in-kind expenses. Gifts in-kind and donated services totaled \$1,200,306 and \$1,133,708 as of June 30, 2016 and 2015, 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 5,085 (unaudited) and 7,400 (unaudited) as of June 30, 2016 and 2015, respectively.

**Other revenues** – Other revenues consists primarily of revenue from supportive housing tenants for rent, metro passes, child care, and purchases of donation center goods and is recognized upon delivery of goods or services.

**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.

## **SOJOURNER CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 2 – Significant Accounting Policies (continued)**

**Income tax status** – The Organization qualifies as a tax-exempt organization under Section 501(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, 2016 and 2015.

**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 April 27, 2017, the date which the financial statements were available to be issued.

**Reclassifications** – Certain amounts were reclassified in the 2015 financial statements to conform to the 2016 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets.

**SOJOURNER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 – Board Designated Endowment**

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, all of the funds in the board-designated endowment are unrestricted.

The Board of Directors can approve and disburse funds equal to investment income from the endowment up to 5% of the fair value of the endowment. The Board of Directors can also undesignate amounts for use in operations. The Board of Directors undesignated \$876,000 and \$79,268 during the years ended June 30, 2016 and 2015, respectively, for use in operations.

The following table summarizes changes in endowment net assets for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Board designated endowment net assets, beginning of year	\$ 1,145,300	\$ 1,216,849
Investment income, net	13,686	20,040
Net realized and unrealized loss	(22,672)	(321)
Transfer of donor restricted funds	-	(12,000)
Undesignation of board designated endowment assets	<u>(876,000)</u>	<u>(79,268)</u>
Board designated endowment net assets, end of year	<u>\$ 260,314</u>	<u>\$ 1,145,300</u>

**Note 4 – Temporarily Restricted Net Assets**

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

	<u>2016</u>	<u>2015</u>
Time restricted		
Promises to give	\$ 509,948	\$ 445,121
Purpose restricted		
Program services	379,282	185,036
Property and equipment	<u>210,000</u>	<u>13,166</u>
Temporarily restricted net assets	<u>\$ 1,099,230</u>	<u>\$ 643,323</u>

## **SOJOURNER CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 5 – Investments and 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.

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.

**SOJOURNER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5 – Investments and Fair Value of Assets (continued)**

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Fair value measurements as of June 30, 2016			Total
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Domestic equity securities	\$ 855,268	\$ -	\$ -	\$ 855,268
Mutual funds	1,170,780	-	-	1,170,780
Corporate bonds	-	143,522	-	143,522
Funds held at Arizona Community Foundation	-	21,501	-	21,501
Total assets	<u>\$ 2,026,048</u>	<u>\$ 165,023</u>	<u>\$ -</u>	<u>\$ 2,191,071</u>

  

	Fair value measurements as of June 30, 2015			Total
	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
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	<u>\$ 2,467,340</u>	<u>\$ 867,793</u>	<u>\$ -</u>	<u>\$ 3,335,133</u>

There were no transfers between levels of the fair value hierarchy during the years ended June 30, 2016 and 2015. The Organization's policy is to recognize transfers in and transfers out at the end of the reporting period.

Mutual funds are valued at the publicly quoted net asset value of shares held by the Organization at year end. Certificates of deposit are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Money market funds and equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. 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.

## SOJOURNER CENTER

### NOTES TO FINANCIAL STATEMENTS

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#### Note 6 – Net Investment Income

Net investment income consists of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 73,333	\$ 82,160
Net realized/unrealized investment gain (loss)	<u>(42,033)</u>	<u>1,358</u>
Total investment income	<u>\$ 31,300</u>	<u>\$ 83,518</u>

#### Note 7 – Unconditional Promises to Give

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

	<u>2016</u>	<u>2015</u>
Unconditional promises to give due in less than one year	\$ 51,000	\$ 377,160
Unconditional promises to give due in one to five years	<u>475,000</u>	<u>181,580</u>
Total promises to give	526,000	558,740
Less discounts to net present value	(16,052)	(16,099)
Less allowance for uncollectible promises to give	<u>-</u>	<u>(97,520)</u>
Total promises to give, net	<u>\$ 509,948</u>	<u>\$ 445,121</u>

The estimated cash flows for the promises to give were discounted over the collection period using a discount rate equal to the treasury bill rate at the date the promises to give were received. The applicable discount rate was 1.0% for promises to give received in the year ended June 30, 2016 and 3% for promises to give received prior to July 1, 2015.

**SOJOURNER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 8 – Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cost and donated value		
Buildings	\$ 11,277,058	\$ 11,277,058
Leasehold improvements	-	1,527,355
Furniture and equipment	<u>792,115</u>	<u>739,052</u>
	12,069,173	13,543,465
Less accumulated depreciation	(3,409,680)	(3,431,495)
Land	<u>918,878</u>	<u>918,878</u>
Total property and equipment, net	<u><u>\$ 9,578,371</u></u>	<u><u>\$ 11,030,848</u></u>

Depreciation expense charged to operations was \$406,704 and \$418,858 for 2016 and 2015.

On May 2, 2016, the Organization terminated its Lease and Operating Agreement with the City of Phoenix for the Hope Campus and transferred the building back to the City of Phoenix. The Organization recorded the disposal of \$1,098,836 of leasehold improvements, net of accumulated depreciation, related to this facility. This one time amount is included in the statements of activities and changes in net assets in loss on disposition of property and equipment and is not considered part of current year operations.

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 statements of activities in impairment of property and equipment.

**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. The loan is secured by a deed of trust and is noninterest bearing. Based on the terms of the agreement, the Organization must use the facilities for the specified purpose. The lease is payable upon disposal of the facilities or failure to comply with the terms of the agreement.

## **SOJOURNER CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 9 – Long-Term Debt (continued)**

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 an annual credit against the principal amount due commencing on July 11, 2018 in an 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, 2016 and 2015, respectively.

#### **Note 10 – Commitments and Contingencies**

The Company leases office equipment under noncancellable operating lease agreements that expire through 2019. Rent expense totaled \$22,213 and \$19,018 for the years ended the years ended June 30, 2016 and 2015, respectively. At June 30, 2016, future minimum lease payments are as follows:

Fiscal years ending June 30:	
2017	\$ 21,592
2018	21,592
2019	21,592
2020	20,594
2021	<u>5,065</u>
Total	<u>\$ 90,435</u>

**SOJOURNER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 11 – 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, 2016 and 2015, the Organization's matching contribution expense was \$20,374 and \$19,532, respectively.

**Note 12 – Prior Period Adjustment**

During fiscal year 2016, the Organization determined that amounts previously reported as permanently restricted net assets were related to contributions that did not contain explicit restrictions imposed by the donor to be maintained in perpetuity by the Organization. These contributions related to a capital campaign and were intended to be temporarily restricted for the purpose of constructing a transitional housing campus. These restrictions were satisfied as of July 1, 2014 when the building was placed in service. The accompanying statement of financial position as of June 30, 2015 has been restated to correct this error. There was no impact to the summarized comparative statements of activities and changes in net assets, functional expenses, and cash flows for the year ended June 30, 2015.

The following table shows the impact of the adjustments to the specific line items of the statement of financial position as of June 30, 2015:

	<u>As Previously Reported</u>	<u>Restatement Adjustment</u>	<u>As Restated</u>
Investments	\$ 1,526,042	\$ 1,809,091	\$ 3,335,133
Promises to give, net	419,121	26,000	445,121
Endowment			
Investments	1,809,091	(1,809,091)	-
Promises to give, net	26,000	(26,000)	-
Unrestricted net assets	9,408,333	1,809,091	11,217,424
Temporarily restricted net assets	617,323	26,000	643,323
Permanently restricted net assets	1,835,091	(1,835,091)	-

**Note 13 – Subsequent Events**

The Organization's grant agreement with the U.S. Department of Housing and Urban Development ("HUD") was not renewed for the fiscal year ended June 30, 2017. Grant revenue from HUD totaled \$417,763 for the years ended June 30, 2016 and 2015.