

**SOJOURNER FAMILY PEACE CENTER, INC.**

Milwaukee, Wisconsin

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2016 and 2015

# SOJOURNER FAMILY PEACE CENTER, INC.

## TABLE OF CONTENTS As of and for the Years Ended December 31, 2016 and 2015

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<b>Independent Auditors' Report</b>	1 - 2
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6 - 7
Notes to Consolidated Financial Statements	8 - 26

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sojourner Family Peace Center, Inc.  
Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Sojourner Family Peace Center, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2017 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
May 17, 2017

# SOJOURNER FAMILY PEACE CENTER, INC.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION As of December 31, 2016 and 2015

<b>ASSETS</b>		
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,843,577	\$ 2,799,483
Investments	2,448,883	1,579,839
Grants receivable	264,678	3,554,968
Promises to give, current portion	965,834	1,001,251
United Way receivable	101,297	107,192
Contributions receivable	351,608	13,735
Prepaid expenses	104,049	140,321
NMTC CDE reserve fund, current portion*	171,723	3,705,431
Property held for sale	71,630	-
Total Current Assets	7,323,279	12,902,220
<b>PROPERTY AND EQUIPMENT, NET</b>	19,494,992	19,687,183
<b>NONCURRENT ASSETS</b>		
Promises to give, net	822,698	1,637,507
Security deposit	322	1,622
Land held for endowment	19,454	19,454
Long-term investments	686,010	655,660
NMTC leverage loan	14,852,300	14,852,300
NMTC CDE reserve fund, net	533,410	632,273
Total Noncurrent Assets	16,914,194	17,798,816
<b>TOTAL ASSETS</b>	<b>\$ 43,732,465</b>	<b>\$ 50,388,219</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 197,860	\$ 1,300,296
Payroll deductions	66,020	50,287
Accrued vacation	115,500	94,782
Deferred revenue	18,852	56,282
Other accrued liabilities	-	1,372,585
CHW commitment to construction, current portion**	190,000	190,000
CHW bridge loan	-	3,721,695
Total Current Liabilities	588,232	6,785,927
<b>LONG-TERM LIABILITIES</b>		
CHW commitment to construction, net	3,230,000	3,420,000
NMTC notes payable, CDE's	20,680,000	20,680,000
Total Long-Term Liabilities	23,910,000	24,100,000
Total Liabilities	24,498,232	30,885,927
<b>NET ASSETS</b>		
Unrestricted:		
Designated	15,967,416	15,819,721
Temporarily restricted	2,962,837	3,378,591
Permanently restricted	303,980	303,980
Total Net Assets	19,234,233	19,502,292
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 43,732,465</b>	<b>\$ 50,388,219</b>

\* New Market Tax Credit ("NMTC") and Community Development Entity ("CDE")

\*\* Children's Hospital and Health System, Inc. ("CHW")

See accompanying notes to consolidated financial statements.

# SOJOURNER FAMILY PEACE CENTER, INC.

## CONSOLIDATED STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
	Total	Total	Total	Total	Total	Total
<b>REVENUES</b>						
Federal and state grants	\$ 1,730,287	\$ -	\$ -	\$ 1,610,163	\$ -	\$ -
Other grants	100,537	-	-	97,446	-	-
United Way	230,781	101,297	-	250,623	107,192	-
Contributions	1,297,069	988,196	-	1,149,742	506,337	-
Capital campaign contributions	-	246,861	-	-	731,475	-
In-kind contributions	558,181	-	-	492,479	-	-
Program fees	26,947	-	-	25,071	-	-
Special events	224,867	-	-	245,942	-	-
Special events expense	(85,329)	-	-	(79,905)	-	-
Investment return	291,054	17,470	-	142,655	(7,104)	-
Miscellaneous revenue	273,335	-	-	15,524	-	-
Family Peace Center grants	748,577	-	-	10,256,423	-	-
Net assets released from restrictions	1,769,578	(1,769,578)	-	2,272,467	(2,272,467)	-
Total Revenues	<u>7,165,884</u>	<u>(415,754)</u>	<u>-</u>	<u>16,478,630</u>	<u>(934,567)</u>	<u>15,544,063</u>
<b>EXPENSES</b>						
Program:						
Shelter	1,278,831	-	-	1,142,425	-	-
Beyond abuse	461,879	-	-	409,980	-	-
Domestic Abuse Victim Advocacy (DAVA)	159,749	-	-	144,630	-	-
Community education	193,040	-	-	65,509	-	-
Children's programming	335,360	-	-	264,916	-	-
Courthouse advocacy program	657,978	-	-	573,236	-	-
Family advocacy support services	1,132,297	-	-	950,508	-	-
Community Domestic Abuse Advocacy Program (CDAAP)	745,519	-	-	614,865	-	-
Family Peace Center	908,267	-	-	843,678	-	-
Management and general	493,144	-	-	750,319	-	-
Development	652,125	-	-	516,361	-	-
Total Expenses	<u>7,018,189</u>	<u>-</u>	<u>-</u>	<u>6,276,427</u>	<u>-</u>	<u>6,276,427</u>
<b>CHANGE IN NET ASSETS</b>	147,695	(415,754)	-	10,202,203	(934,567)	-
NET ASSETS - Beginning of Year	<u>15,819,721</u>	<u>3,378,591</u>	<u>303,980</u>	<u>5,617,518</u>	<u>4,313,158</u>	<u>303,980</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 15,967,416</u>	<u>\$ 2,962,837</u>	<u>\$ 303,980</u>	<u>\$ 15,819,721</u>	<u>\$ 3,378,591</u>	<u>\$ 303,980</u>

See accompanying notes to consolidated financial statements.

## SOJOURNER FAMILY PEACE CENTER, INC.

### CONSOLIDATED STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (268,059)	\$ 9,267,636
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Contributions restricted for Family Peace Center	(213,587)	(731,475)
Realized loss (gain) on investments	1,241	(245,881)
Unrealized (gain) loss on investments	(72,722)	357,049
Loss (gain) on disposal of property and equipment	12,971	(28)
Forgiveness of CHW capital commitment	(190,000)	(190,000)
Depreciation	647,489	83,363
Forgiveness of CHW bridge loan from Family Peace Center Grant	(3,721,695)	(6,903,305)
Changes in assets and liabilities:		
Receivables	2,925,038	(2,540,922)
Prepaid expenses	36,272	(78,564)
Security deposit	1,300	14,345
Accounts payable	(160,272)	307,655
Payroll deductions	15,733	12,261
Accrued vacation	20,718	10,336
Deferred revenue	(37,430)	37,211
Net Cash Flows from Operating Activities	(1,003,003)	(600,319)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	344,611	2,611,419
Purchase of investments	(1,172,524)	(2,455,873)
Proceeds from sale of property and equipment	253,398	-
Capital expenditures	(3,108,046)	(14,657,762)
Withdrawals of restricted cash from NMTC reserve fund	3,632,571	15,374,410
Net Cash Flows from Investing Activities	(49,990)	872,194
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts restricted	1,097,087	876,440
Net Cash Flows from Financing Activities	1,097,087	876,440
<b>Net Change in Cash and Cash Equivalents</b>	44,094	1,148,315
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	2,799,483	1,651,168
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,843,577	\$ 2,799,483
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Cash paid for interest	\$ 248,386	\$ 282,304
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital additions included in accounts payable and other accrued liabilities	\$ -	\$ 2,314,749

See accompanying notes to consolidated financial statements.

**SOJOURNER FAMILY PEACE CENTER, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2016

	Program										2016 Total	
	Shelter	Beyond Abuse	DAVA	Community Education	Children's Programming	Courthouse Advocacy Program	Family Advocacy Support Services	CDAAP	Family Peace Center	Management and General		Development
Salaries, payroll taxes and fringe benefits	\$ 536,869	\$ 355,294	\$ 135,969	\$ 146,449	\$ 211,148	\$ 384,859	\$ 660,440	\$ 524,241	\$ 85,774	\$ 102,276	\$ 390,031	\$ 3,533,350
Staff expenses	4,381	2,195	995	1,912	622	2,151	13,574	7,569	415	26,147	3,532	63,493
Supplies	43,093	12,411	1,070	4,887	3,212	4,828	34,823	2,961	3,943	18,344	7,868	137,440
Telephone	9,457	13,901	419	206	1,834	952	3,126	6,346	10,097	3,640	1,286	51,264
Professional services	123,848	8,550	2,443	21,458	34,552	6,327	14,124	9,497	129,294	30,229	18,161	398,483
Printing	7,088	4,228	3,141	1,334	2,375	5,653	7,722	5,358		10,906	18,898	66,703
Client assistance	37,446	2,719	1,563	75	697	1,204	48,750	18,834		-	-	111,288
Occupancy	182,215	52,423	5,440	5,729	38,635	15,589	35,062	14,470	234,226	58,302	39,815	681,906
Furniture	23,124	2,418	861	1,025	6,922	1,402	7,692	2,954	42,774	10,315	4,154	103,641
Insurance	10,983	2,924	1,463	1,243	2,550	12,023	6,691	4,414	12,620	10,795	3,792	69,498
Depreciation	152,242	4,033	4,818	6,633	24,981	1,542	28,773	8,435	340,949	61,028	14,055	647,489
In-kind contributions	91,036	-	-	-	-	209,179	-	-	48,175	131,291	78,500	558,181
Fundraising	-	-	-	-	-	-	-	-	-	-	63,157	63,157
Sub recipient expense	-	-	-	-	-	-	268,910	-	-	-	-	268,910
NIMTC interest and audit fees	57,049	783	1,567	2,089	7,832	12,269	2,610	140,440	-	29,871	8,876	263,386
Total Expenses	\$ 1,278,831	\$ 461,879	\$ 159,749	\$ 193,040	\$ 335,360	\$ 657,978	\$ 1,132,297	\$ 745,519	\$ 908,267	\$ 493,144	\$ 652,125	\$ 7,018,189

See accompanying notes to consolidated financial statements.



**SOJOURNER FAMILY PEACE CENTER, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2015

Program

	Shelter	Beyond Abuse	DAVA	Community Education	Children's Programming	Courtthouse Advocacy Program	CDAAP	Domestic Abuse Advocacy Program			Family Peace Center	Total	Management and General	Development	2015 Total
Salaries, payroll taxes and fringe benefits	\$ 558,033	\$ 323,016	\$ 124,281	\$ 44,655	\$ 157,749	\$ 340,008	\$ 490,988	\$ 520,809	\$ 7,670	\$ 2,567,209	\$ 304,824	\$ 266,605	\$ 3,138,638		
Staff expenses	1,098	4,189	1,870	1,141	1,299	2,127	5,766	8,506	-	25,996	7,373	2,132	35,501		
Supplies	33,898	11,078	1,741	789	3,810	4,555	31,785	4,582	8,397	100,635	19,042	8,377	128,054		
Telephone	20,699	6,210	734	1,139	4,473	1,286	12,169	9,371	28,113	84,194	21,361	5,675	111,230		
Professional services	11,754	7,963	2,270	3,249	3,412	13,028	10,707	10,655	6,563	69,601	63,208	21,322	154,131		
Printing	7,922	2,925	1,227	368	1,349	4,619	5,011	5,454	-	28,875	6,986	15,624	51,485		
Client assistance	31,441	6,337	486	-	1,253	795	34,393	17,303	-	92,008	-	-	92,008		
Occupancy	72,360	40,855	5,045	4,370	33,042	13,021	54,582	22,427	29,966	275,668	87,932	35,349	398,949		
Furniture	205,901	2,749	3,550	6,216	36,978	-	46,789	7,117	564,372	873,672	51,776	16,347	941,795		
Insurance	4,420	2,249	1,046	314	1,151	2,720	3,793	3,739	-	19,432	7,368	1,778	28,578		
Depreciation	20,179	1,468	499	681	10,993	1,151	5,037	1,576	29,118	70,702	11,523	1,138	83,363		
In-kind contributions	95,767	-	-	-	-	189,926	-	-	-	285,693	123,286	83,500	492,479		
Fundraising	-	-	-	-	-	-	-	-	-	-	-	47,764	47,764		
Sub recipient expense	-	-	-	-	-	-	234,451	-	-	234,451	-	-	234,451		
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-		
NMTC interest and audit fees	78,953	941	1,881	2,587	9,407	-	15,037	3,326	169,479	281,611	22,793	10,750	315,154		
<b>Total Expenses</b>	<b>\$ 1,142,425</b>	<b>\$ 409,980</b>	<b>\$ 144,630</b>	<b>\$ 65,509</b>	<b>\$ 264,916</b>	<b>\$ 573,236</b>	<b>\$ 950,508</b>	<b>\$ 614,865</b>	<b>\$ 843,678</b>	<b>\$ 5,009,747</b>	<b>\$ 750,319</b>	<b>\$ 516,361</b>	<b>\$ 6,276,427</b>		

See accompanying notes to consolidated financial statements.

# SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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## **NOTE 1 - Summary of Significant Accounting Policies**

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### *Nature of Activities*

The mission of Sojourner Family Peace Center, Inc. ("SFPC") is to transform lives impacted by domestic violence. SFPC's goal is to ensure the safety of victims of family violence and provide a pathway out of violence for victims and abusers through opportunities to make positive and lasting changes for themselves and their children. SFPC's programs address domestic violence on five fronts: services for adult victims, child victims, and abusers; a domestic violence hotline; courthouse/legal services; shelter services; and community education. This holistic approach reaches the victims, abusers, the community and the systems established to address domestic violence in our community.

Sojourner Foundation, Inc. (the "Foundation") was created, in April 2014, to provide philanthropic support for SFPC through the solicitation, receipt, administration and disbursement of charitable contributions for the promotion of peaceful communities, domestic respect and a life free from violence. In addition, the Foundation worked with SFPC to obtain financing, including the New Market Tax Credits ("NMTC"). SFPC constructed the Family Peace Center (the "Project") with the financing (see Note 6). The business affairs of the Foundation are managed by its Board of Directors subject to and in compliance with the Articles of Incorporation, Bylaws and the Wisconsin Nonstock Corporation Law. The sole member of the Foundation is SFPC.

### *Principles of Presentation*

The accompanying consolidated financial statements include the accounts of SFPC and the Foundation (collectively, the "Organization") and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under these principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created by donor-imposed restrictions on their use. All other net assets are reported as part of the unrestricted class. The Board has designated all of the unrestricted net assets for endowment, capital improvements, and program expansion. All significant intercompany accounts and transactions have been eliminated in consolidation. In addition, the Organization is required to present a statement of cash flows.

### *Cash and Cash Equivalents*

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 1 - Summary of Significant Accounting Policies** (continued)

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##### *Cash and Cash Equivalents (continued)*

As of December 31, cash and equivalents consisted of the following:

	<u>2016</u>	<u>2015</u>
Petty cash	\$ 1,000	\$ 900
Checking accounts	236,754	446,929
Money market funds	<u>2,605,823</u>	<u>2,351,654</u>
Total Cash and Cash Equivalents	<u>\$ 2,843,577</u>	<u>\$ 2,799,483</u>

##### *Investments*

The Organization carries investments in mutual funds with readily determinable fair values in the consolidated statements of financial position at fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Investments are recorded at fair value in accordance with accounting principles generally accepted in the United States of America, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques which are summarized as follows:

**Level 1** - Quoted prices in active markets, e.g. NYSE, NASDAQ, etc. for assets identical to the securities to be valued. If a Level 1 input is available, it must be used.

**Level 2** - Inputs other than quoted prices that are observable for securities, either directly or indirectly. Examples include matrix pricing utilizing yield curves, prepayment speeds, credit risks, etc.; quoted prices for similar assets in active markets; and inputs derived from observable market data by correlation or other means.

**Level 3** - Unobservable inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions. Examples would include limited partnership interests, closely held stock, etc.

See Note 3 and Note 4 for additional fair value disclosures.

##### *Grants Receivable*

Grants receivable represents the outstanding balance of public grants due to the Organization based upon costs incurred. Management determines the need for an allowance for doubtful accounts based on historical collection experience and a review of current receivable balances. No allowance for doubtful accounts is considered necessary as of December 31, 2016 and 2015. No accounts were written off in 2016 and 2015.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 1 - Summary of Significant Accounting Policies** (continued)

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##### *Promises to Give*

Unconditional promises to give made to the Organization are recorded in the year the pledge is made. Current contributions receivable are expected to be collected during the next year and are recorded at net realizable value. An allowance for uncollectible promises to give is determined based on experience. No allowance was deemed necessary as of December 31, 2016 and 2015.

The discounts on long-term promises to give are computed using the estimated rate of borrowing applicable to the years in which the promises are received. The discount rate at December 31, 2016 and 2015 was 3%. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. The Organization has a conditional promise to give of \$100,000 at December 31, 2016, receivable in 2017. The promise to give is contingent on the Organization matching the promise with unrelated restricted contributions of \$100,000, which must be received from donors in increments of \$25,000 or less.

##### *NMTC CDE Reserve Fund*

The Organization entered into financing agreements in 2014 to assist with the construction of the Project. The financing agreements require the Organization to maintain cash received restricted for the construction of the Project in separate accounts. These accounts are pledged and subject to control of the lenders at December 31, 2016 and 2015 (see Note 6).

##### *Property Held for Sale*

In 2016, the Organization decided to sell two buildings. The property is presented at its net book value of \$71,630 at December 31, 2016 on the consolidated statements of financial position. The Organization accepted an offer for both buildings in 2016 and anticipates closing in 2017. The estimated sales price exceeds the carrying value of the property held for sale. There was no property held for sale in 2015.

##### *Property and Equipment*

All property and equipment are stated at cost, or, if donated, at the approximate fair value at the date of the donation. All acquisitions of property and equipment in excess of \$1,500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized.

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair value as of the date received, unless restricted by donor. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions and released from restriction to unrestricted net assets when the long-lived asset is placed into service. Capital contributions of cash that must be used to construct property and equipment are reported as temporarily restricted contributions, and released from restriction to unrestricted net assets as the long-lived asset is constructed.

## SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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### NOTE 1 - Summary of Significant Accounting Policies (continued)

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#### *Property and Equipment (continued)*

Depreciation is computed using the straight line method based on estimated useful lives. The categories of property and equipment can be summarized as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 825,173	\$ 825,173
Land improvements	-	36,744
Buildings	18,977,281	18,334,470
Furnishings and equipment	870,212	1,039,284
Vehicles	22,501	22,501
Construction in progress	-	<u>13,500</u>
Total Property and Equipment	20,695,167	20,271,672
Less: Accumulated depreciation	<u>(1,200,175)</u>	<u>(584,489)</u>
Net Property and Equipment	<u>\$ 19,494,992</u>	<u>\$ 19,687,183</u>

#### *Impairment of Long-Lived Assets*

The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the years ended December 31, 2016 and 2015.

#### *NMTC Leverage Loan*

The NMTC leverage loan is collateralized by the membership interests related to the New Markets Tax Credit transaction (see Note 6) and is stated at the principal amount. Payments on the NMTC leverage loan are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The Organization has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC leverage loan based on indicators such as collateralization, collection experience, and management's internal metrics. The NMTC leverage loan is periodically assessed for impairment based on relevant facts and circumstances. Management reviews the collectibility of the NMTC leverage loan on an ongoing basis. Management has determined that no allowance is necessary and no impairment has occurred as of December 31, 2016 and 2015.

#### *Deferred Revenue*

Deferred revenue consists primarily of prepaid partner rent and sponsorships for future special events. Revenue associated with special events is recognized when the special event occurs. Partner rent revenue is recognized over the lease period.

## SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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### NOTE 1 - Summary of Significant Accounting Policies (continued)

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#### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

#### *Contributed Support*

The Organization recognizes all contributed support received as income in the period a written unconditional pledge is received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

#### *In-Kind Contributions*

Contributions of non-cash assets, supplies and services are recorded at their fair value in the period received. The Organization received the following in-kind contributions during the year ended December 31:

	<u>2016</u>	<u>2015</u>
Legal services	\$ 304,371	\$ 245,836
Program supplies	139,210	96,392
Public relations and outreach	-	28,751
Advertising	78,500	83,500
Imputed interest	<u>36,100</u>	<u>38,000</u>
Totals	<u>\$ 558,181</u>	<u>\$ 492,479</u>

Donated services of \$91,663 and \$56,910 were received and reflected in the consolidated financial statements from related parties for the years ended December 31, 2016 and 2015, respectively.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 1 - Summary of Significant Accounting Policies** (continued)

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##### *Expense Allocation*

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

##### *Reclassification*

For comparability, certain 2015 amounts have been reclassified to conform with classifications adopted in 2016. The reclassifications have no effect on reported amounts of net assets or change in net assets.

##### *Estimates*

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### *Advertising*

The Organization uses advertising to promote its special events. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$78,500 and \$83,500, respectively. The Organization received in-kind contributions for all advertising costs.

##### *Concentrations*

The Organization received approximately 25% and 10% of its annual revenue from federal and state grants for the years ended December 31, 2016 and 2015, respectively. In 2016 and 2015, the Family Peace Center grants represented 11% and 66%, respectively, of the total revenue.

In 2016, substantially all of the capital campaign contributions were received from two donors. In 2015, there were no concentrations of capital campaign contributions. The amount included within promises to give that is from one donor was \$1,500,000 and \$2,250,000 at December 2016 and 2015, respectively.

The Organization maintains cash balances in two institutions which exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 1 - Summary of Significant Accounting Policies** (continued)

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##### *Income Taxes*

SFPC and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business net income or uncertain tax positions. Accordingly, no provision for income taxes has been recorded.

SFPC is no longer subject to U.S. federal income tax examinations for years ending before December 31, 2013. SFPC is no longer subject to Wisconsin income tax examinations for years ending on or before December 31, 2012. The Foundation filed its initial tax returns for the year ending December 31, 2014 and that return, along with the 2015 return, remains subject to U.S. and Wisconsin income tax examinations.

##### *New Accounting Pronouncements*

The Financial Accounting Standards Board ("FASB") has issued Financial Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities". ASU 2016-14 is intended to simplify and improve current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, expense classifications and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization's consolidated financial statements.

During May 2014, FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." ASU No. 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During 2015 and 2016, the FASB also issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09; ASU No. 2016-08, "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)", which clarifies the implementation guidance on principal versus agent considerations in Topic 606; ASU No. 2016-10, "Identifying Performance Obligations and Licensing", which clarifies the identification of performance obligations and the licensing implementation guidance; ASU No. 2016-12, "Narrow-Scope Improvements and Practical Expedients" and ASU No. 2016-20, "Technical Corrections and Improvements to Topic 606", which both affect narrow aspects of Topic 606. Topic 606 (as amended) is effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization may elect to apply the guidance earlier, but no earlier than 2017. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that Topic 606 (as amended) will have on its results of operations, financial position and cash flows.

In February 2016, FASB issued Accounting Standards Update 2016-02, "Leases (Topic 842)" that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Organization will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the impact of ASU 2016-02 on the Organization's consolidated financial statements.



**SOJOURNER FAMILY PEACE CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

**NOTE 1 - Summary of Significant Accounting Policies** (continued)

*Subsequent Events*

Management has evaluated all subsequent events for possible recognition or disclosure through May 17, 2017, the date the consolidated financial statements were approved and available to be issued.

**NOTE 2 - Promises to Give**

Promises to give as of December 31 are the following:

	<u>2016</u>	<u>2015</u>
Promises to give before unamortized discount	\$ 1,826,334	\$ 2,709,834
Less: Unamortized discount	<u>(37,802)</u>	<u>(71,076)</u>
Net Unconditional Promises to Give	<u>\$ 1,788,532</u>	<u>\$ 2,638,758</u>
Gross amounts due in:		
Less than one year	\$ 965,834	\$ 1,001,251
One to five years	<u>860,500</u>	<u>1,708,583</u>
Totals	<u>\$ 1,826,334</u>	<u>\$ 2,709,834</u>

**NOTE 3 - Investments**

Cost and fair values of mutual fund investments at December 31, 2016 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Domestic fixed income	\$ 1,143,770	\$ 1,121,867	\$ (21,903)
International fixed income	44,054	43,057	(997)
Domestic equities	1,403,156	1,428,655	25,499
International equities	<u>579,211</u>	<u>541,314</u>	<u>(37,897)</u>
Total Investments	<u>\$ 3,170,191</u>	<u>\$ 3,134,893</u>	<u>\$ (35,298)</u>

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 3 - Investments** (continued)

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Cost and fair values of mutual fund investments at December 31, 2015 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Domestic fixed income	\$ 964,796	\$ 943,543	\$ (21,253)
International fixed income	28,454	25,549	(2,905)
Domestic equities	939,613	904,273	(35,340)
International equities	<u>410,656</u>	<u>362,134</u>	<u>(48,522)</u>
Total Investments	<u>\$ 2,343,519</u>	<u>\$ 2,235,499</u>	<u>\$ (108,020)</u>

All of the Organization's investments are considered Level 1 investments in the fair value hierarchy.

	<u>2016</u>	<u>2015</u>
Realized gain (loss)	\$ (1,241)	\$ 245,881
Unrealized gain (loss)	72,722	(357,049)
Interest and dividends, net of fees	<u>237,043</u>	<u>246,719</u>
Total Investment return	<u>\$ 308,524</u>	<u>\$ 135,551</u>

Investment fees of \$15,759 and \$18,343 were netted against interest and dividend earnings for the years ended December 31, 2016 and 2015, respectively.

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#### **NOTE 4 - Land Held for Endowment**

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The Organization received a parcel of land as a donation which is permanently restricted. The land has an assessed value of \$19,454 as of December 31, 2016 and 2015. This property is classified as a level 2 investment in the hierarchy noted in Note 1.

## SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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### NOTE 5 - NMTC Leverage Loan

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NMTC leverage loan consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
The Foundation:		
Note receivable due from Sojourner Investment Fund, LLC (an unrelated entity), with quarterly interest payments of 1% per annum until September 2021; at which point interest and principal payments of \$723,664 will be due annually until maturity on September 2044; collateralized by a security interest in the membership interests of the Community Development Entities (IFF Capital VI LLC, Community Benefits Sub-CDE 1, LLC and Consortium America LIII, LLC); loan and regulatory agreement restricts the use of the funds to SFPC, who is a qualified active low-income community business for the term of the note. Loan can be prepaid without penalty or premium.	<u>\$ 14,852,300</u>	<u>\$ 14,852,300</u>

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### NOTE 6 - New Market Tax Credit Program and Project

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The NMTC program was designed to stimulate investment and economic growth in low income communities by offering taxpayers a 39% tax credit against federal income taxes over a seven year period for Qualified Equity Investment ("QEIs") in designated Community Development Entities ("CDEs"). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all (83%) of the proceeds to make Qualified Low Income Community Investments ("QLICs"). To earn the tax credit, the QEI must remain invested in the CDE for a seven year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low Income Community Business ("QALICB") for the duration of the seven year period. The QALICB requirements are outlined in Treasury Regulation Section 1.45D-1(d)(4)(i).

In September 2014, the Organization entered into multiple agreements, assisted by the NMTC program, to facilitate the construction of a new 72,000 square foot Project. The Organization partnered with Children's Hospital and Health System, Inc. (d/b/a Children's Hospital of Wisconsin - "CHW"), the Milwaukee Police Department, the Milwaukee County District Attorney's Office and others to develop a coordinated, centralized, co-located model of service that will change how these agencies work with women, children and men impacted by family violence. The Project is a proven, comprehensive and collaborative model that combines complimentary service providers in one accessible location. The Organization's model features a center that includes a 56 bed shelter, child advocacy center, education center and partner space. Construction was completed in 2016.

The Organization obtained an advance from CHW, made possible by a grant from the State of Wisconsin Building Commission ("WSBC"), and other private contributions to assist in funding the Project. As part of the WSBC agreement between the State of Wisconsin, CHW and the Organization, the Organization agreed to operate the Project for twenty years. If the Organization violates the agreement, the State gets an ownership interest in the Project in the amount of the grant. SFPC also obtained three separate leverage loans from Community Benefits Sub-CDE 1, LLC ("FCI"), Consortium America LIII, LLC ("CA"), and IFF Capital VI LLC ("IFF") (See Note 7).

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 6 - New Market Tax Credit Program and Project (continued)**

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On September 16, 2014, the Foundation entered into loans with CHW in the amount of \$14,425,000. This includes \$10,625,000 attributable to the WSBC Grant, of which \$3,721,695 and \$6,903,305 was forgiven in 2016 and 2015, respectively, when CHW received payment from the WSBC. This loan had an interest rate of 0.5% per annum and increased to 2.5% per annum six months after completion of the Project. The non-interest bearing note of \$3.8 million represents CHW's commitment to the Project and will be forgiven evenly over a 20 year period beginning on the last day of the calendar year when the Project is substantially completed. In 2016 and 2015, \$190,000 was forgiven and included within the Family Peace Center grant on the consolidated statements of activities.

The Foundation used the loans and cash on hand to make a loan to a NMTC investment fund (see Note 5), Sojourner Investment Fund, LLC, which is owned 100% by PNC New Markets Investment Partners, LLC ("PNC NMIP"). The loan was made for \$14,852,300. The loan bears interest at 1%. Interest only payments are received quarterly through September 2021. Principal and interest are due quarterly beginning October 2021 and continue thereafter until maturity, September 2044. The loan is secured by an interest in the borrower's ownership in community development entities. Total interest earned in 2016 and 2015 was \$148,523 and there was no accrued interest at December 31, 2016 and 2015.

The proceeds from the loan to the NMTC investment fund, combined with equity contributions from other private investors, were passed through to three CDEs (FCI, CA and IFF). The CDEs used the equity contributions from the Sojourner Investment Fund, LLC to make loans to SFPC as the QALICB, totaling \$20,680,000 ("QLICI Loans") to finance the construction of the building. Each CDE made two notes to SFPC. The notes are interest only through September 2021, with principal and interest payable annually commencing October 2021 through September 2044. The details of these notes payable are disclosed in Note 7. As a condition of the agreements, the CDE's require that the Foundation guarantee the payment of the notes and certain performance requirements. The guarantee is in effect until maturity of the loans.

The transaction is subject to a put/call option. PNC NMIP has a put option whereby upon exercise of the option after the last day of the tax credit investment period, the Foundation is obligated to purchase PNC NMIP's 100% membership interest in the Sojourner Investment Fund, LLC for \$1,000. At the end of the seven year tax credit investment period, the Foundation has a call option whereby if exercised, they have the right to purchase PNC NMIP's 100% membership interest in the Sojourner Investment Fund, LLC at fair value.

The tax credits associated with the transaction are contingent on the Organization maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest. As of December 31, 2016, no such events have occurred.

## SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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### NOTE 7 - Leasor Agreements

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CHW, the Milwaukee Police Department and Milwaukee County District Attorney have entered into lease agreements with SFPC to pay monthly rent starting in 2016 for 20 years, 10 years and 10 years respectively. Rental income/payments will be as follows:

<u>Year Ending December 31:</u>	
2017	\$ 56,867
2018	58,153
2019	59,477
2020	60,842
2021	62,247
Thereafter	<u>404,948</u>
Total	<u>\$ 702,534</u>

Rent revenue earned in 2016 and 2015 was \$54,796 and \$0, respectively. In addition, one of the partners also pays a percentage of the operating expenses related to the building. The amount varies each year and was \$217,564 and \$0 in 2016 and 2015, respectively.

## SOJOURNER FAMILY PEACE CENTER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

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### NOTE 8 - Long Term Debt

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Long term debt consists of the following at December 31:

	2016	2015
SFPC		
IFF Loan A1: Bearing interest at 1.18974% per annum; interest only payments due quarterly until September 30, 2021; at which point interest and principal payments of \$351,472 will be due annually until maturity on September 30, 2044.	\$ 7,063,000	\$ 7,063,000
FCI Loan A2: Bearing interest at 1.18974% per annum; interest only payments due quarterly until September 30, 2021; at which point interest and principal payments of \$170,760 will be due annually until maturity on September 30, 2044.	3,431,500	3,431,500
CA Loan A3: Bearing interest at 1.18974% per annum; interest only payments due quarterly until September 30, 2021; at which point interest and principal payments of \$216,856 will be due annually until maturity on September 30, 2044.	4,357,800	4,357,800
IFF Loan B1: Bearing interest at 1.18974% per annum; interest only payments due quarterly until September 30, 2021 at which point interest and principal payments of \$141,176 will be due annually until maturity on September 30, 2044.	2,837,000	2,837,000
FCI Loan B2: Bearing interest at 1.18974% per annum interest only payments due quarterly until September 30, 2021: at which point interest and principal payments of \$73,076 will be due annually until maturity on September 30, 2044.	1,468,500	1,468,500
CA Loan B3: Bearing interest at 1.18974% per annum interest only payments due quarterly until September 30, 2021 at which point interest and principal payments of \$75,748 will be due annually until maturity on September 30, 2044.	<u>1,522,200</u>	<u>1,522,200</u>
SFPC Total	<u>\$ 20,680,000</u>	<u>\$ 20,680,000</u>

All of the loans payable above are collateralized by a Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing and a loan and a regulatory agreement that restricts the use of the property to those allowed as a qualified active low income community business for the term of the note. The loans cannot be prepaid until October 2021.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

#### NOTE 8 - Long Term Debt (continued)

	2016	2015
Foundation		
CHW, attributable to the WSBC Grant: Bearing interest at 0.5% per annum and increasing to 2.5% per annum six months after completion of the Project; interest only payments due monthly; principal will be forgiven when CHW receives payment from the WSBC; collateralized by the Assignment of Interest in Leverage Loan and security interest in the Leverage Loan documents; loan agreement restricts the use of the funds to make the Leverage Loan to the Sojourner Investment Fund, LLC. Loan can be prepaid without penalty or premium.	\$ -	\$ 3,721,695
CHW, Children's Commitment to Project Costs: Non-interest Bearing. Organization imputed interest of 1.09%. Principal will be forgiven evenly over a 20 year period beginning on the last day of the calendar year when the Project is substantially completed; collateralized by the Assignment of Interest in Leverage Loan and security interest in the Leverage Loan documents; loan agreement restricts the use of the funds to make the Leverage Loan to the Sojourner Investment Fund, LLC. Loan can be prepaid without penalty or premium.	<u>3,420,000</u>	<u>3,610,000</u>
Foundation Total	<u>\$ 3,420,000</u>	<u>\$ 7,331,695</u>

The Organization's total debt is summarized below at December 31:

	2016	2015
SFPC Total	\$ 20,680,000	\$ 20,680,000
Foundation Total	<u>3,420,000</u>	<u>7,331,695</u>
Organization Total	24,100,000	28,011,695
Less: Current Portion	<u>190,000</u>	<u>3,911,695</u>
Long-Term Portion	<u>\$ 23,910,000</u>	<u>\$ 24,100,000</u>

Principal payments on the debt for the years ending after December 31, 2016 are as follows:

2017	\$ 190,000
2018	190,000
2019	190,000
2020	190,000
2021	190,000
Thereafter	<u>23,150,000</u>
Total	<u>\$ 24,100,000</u>

Total interest expense, including imputed interest, on all debt was \$284,486 and \$320,304 in 2016 and 2015, respectively. Interest expense on debt is included within the NMTC interest and audit fees and in-kind contributions under management and general on the consolidated statements of functional expenses.

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 8 - Long Term Debt** (continued)

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The Organization is subject to certain requirements and covenants related to their debt. As of December 31, 2016, the Organization was in compliance with all established covenants or has obtained waivers.

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#### **NOTE 9 - Letter of Credit**

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The Organization has an outstanding letter of credit which is available to reimburse the State of Wisconsin-Division of Unemployment for claims if necessary. The amount of available credit totaled \$39,565 as of December 31, 2016 and 2015. The letter of credit expires December 31, 2019.

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#### **NOTE 10 - Designation of Unrestricted Net Assets**

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It is the policy of the Board of Directors to review its plans for future organizational needs and to designate appropriate sums of unrestricted net assets to assure adequate financing of such activities. The Board has designated revenues in excess of expenses for the current year and from all prior years for capital improvements and program expansion, a portion of which is in a quasi-endowment fund.

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#### **NOTE 11 - Temporarily Restricted Net Assets**

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Temporarily restricted net assets consist of contributions restricted by the donor for various reasons. These contributions can be summarized as follows at December 31:

	<u>2016</u>	<u>2015</u>
Restricted by time	\$ 1,889,829	\$ 2,745,950
Restricted by use	<u>1,073,008</u>	<u>632,641</u>
Totals	<u>\$ 2,962,837</u>	<u>\$ 3,378,591</u>

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#### **NOTE 12 - Permanently Restricted Net Assets**

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Permanently restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Endowment Fund - principal to be invested in perpetuity, income to be used for general operating purposes	<u>\$ 303,980</u>	<u>\$ 303,980</u>



## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 13 - Endowment**

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There are two types of funds that make up the Organization's endowment fund established for the benefit of the Organization. These funds are general and donor endowment funds. General endowment funds are designated by the Board of Directors (quasi-endowment) and may or may not be designated for a specific purpose. Donor endowment funds have been received from a donor for endowment purposes and may or may not be designated for a specific purpose.

The Board of Directors understands that the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") is the applicable state law governing their endowment funds. UPMIFA laws have been interpreted by the Board of Directors as allowing the appropriation for expenditure for the purposes for which an endowment is established as the net appreciation, realized and unrealized, in the fair value of an endowment fund over the historic dollar value of the fund as is prudent under ordinary business care considering the facts and circumstances prevailing at the time the action is taken.

Investment and spending policies have been established by the Organization for endowment assets that attempt to provide a predictable stream of funding to the programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. The purpose of the Organization's investment policy, as approved by the Board of Directors, is to provide guidelines for investment, and performance of investments, of endowment funds that protect principal, grow the aggregate portfolio value in excess of the inflation rate and reach an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is in line with the given investment vehicle and the Organization's objectives.

To achieve its investment goals, the Organization seeks an asset allocation that exercises risk control while achieving a balanced return of current income and long-term growth. The Organization's asset allocations are a blend of equity, fixed income, and cash equivalents.

Interest, dividends and net appreciation in fair value of board-designated endowment funds are reflected as unrestricted net assets. Interest, dividends and net appreciation in fair value of donor restricted endowment funds are reflected as temporarily restricted net assets until appropriated by the Board of Directors. Temporarily restricted earnings on the permanent endowment whose restrictions are met in the same period are reflected as unrestricted earnings.

#### *Quasi-Endowment*

Certain net assets have been set aside for endowment purposes by the Board of Directors. As these amounts are not donor restricted but are designated by Board policy, the amounts have been classified as unrestricted net assets. From time to time, the Board may designate additional funds be added to the quasi-endowment. The Board recognizes that a strategic or emergency need may arise that would require the use of these funds. The Board may access these funds by resolution presented and approved by three-quarters of the Board members.

**SOJOURNER FAMILY PEACE CENTER, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2016 and 2015

**NOTE 13 - Endowment** (continued)

*Donor Restricted Endowment*

The Organization has received gifts in which the donors have restricted the gift for investment and to be permanently maintained to generate annual income for Organization needs. The Board may access these earnings by resolution presented and approved by three-quarters of the Board members. At no time shall donor endowment funds be removed from the Endowment fund.

*Kathie Stolpman Endowment Fund*

The Kathie Stolpman Endowment Fund was initially funded with the net proceeds of The Kathie Stolpman Tribute Event and with any future donor restricted contributions.

Each year, The Kathie Stolpman Endowment Fund may distribute up to five (5) percent of the average of the fair value for the 12 (twelve) trailing quarters, or the number of quarters then available if less than 12 (twelve), of The Kathie Stolpman Endowment Fund to support the Shelter and related programs. An unlimited amount of The Kathie Stolpman Endowment Fund, including principal, may be used for any real estate acquisition or major improvement associated with the Shelter. Therefore it is reflected as board-designated temporarily restricted funds. Earnings on the Kathie Stolpman Endowment Fund are temporarily restricted until released for expenditure.

*Land Held for Endowment*

In addition to endowment funds held in investment, the Organization also owns contributed property that is held for investment. As intended by the donor, upon sale of said property, all proceeds are to be recorded as donor endowment funds and combined with those donor endowment funds held in investment.

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted	\$ -	\$ -	\$ 303,980	\$ 303,980
Board-designated	2,622,898	382,030	-	3,004,928
Total Funds	\$ 2,622,898	\$ 382,030	\$ 303,980	\$ 3,308,908

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

#### **NOTE 13 - Endowment** (continued)

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 1,496,073	\$ 351,680	\$ 303,980	\$ 2,151,733
Contributions	1,000,000	12,880	-	1,012,880
Investment income - net of fees	31,267	4,357	-	35,624
Net appreciation	95,558	13,113	-	108,671
 Endowment Net Assets, End of Year	\$ 2,622,898	\$ 382,030	\$ 303,980	\$ 3,308,908

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted	\$ -	\$ -	\$ 303,980	\$ 303,980
Board-designated	1,496,073	351,680	-	1,847,753
 Total Funds	\$ 1,496,073	\$ 351,680	\$ 303,980	\$ 2,151,733

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ 1,529,261	\$ 358,784	\$ 303,980	\$ 2,192,025
Investment income - net of fees	52,150	10,180	-	62,330
Net depreciation	(85,338)	(17,284)	-	(102,622)
 Endowment Net Assets, End of Year	\$ 1,496,073	\$ 351,680	\$ 303,980	\$ 2,151,733

## SOJOURNER FAMILY PEACE CENTER, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2016 and 2015

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#### **NOTE 14 - Lease Commitments**

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The Organization leases copiers for support of its programming staff and office space for its Beyond Abuse Program. This program, focused on offenders, cannot be conducted in the same location as programs for domestic violence victims.

Future minimum lease payments under operating leases for years ending December 31 are:

2017	\$	58,486
2018		5,777
2019		<u>5,603</u>
Totals	\$	<u>69,866</u>

Rent expense on the operating leases was \$57,549 and \$135,887 for the years ended December 31, 2016 and 2015, respectively.

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#### **NOTE 15 - Employee Retirement Plan**

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The Organization sponsors a 403(b) retirement plan for all eligible employees. All employees become eligible after working at the Organization 90 days and are 100% vested at that time. The Organization provides a matching contribution of one dollar for every dollar that the employee contributes, up to 3% of the employee's annual salary.

Employer contributions made to the plan for the years ended December 31, 2016 and 2015 totaled \$49,657 and \$39,479, respectively.