

# **SAAFE HOUSE**

*ANNUAL FINANCIAL REPORT*  
*FOR THE YEAR ENDED AUGUST 31, 2022*



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**SAAFE House**  
**For the Year Ended August 31, 2022**

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**Independent Auditor's Report**

To the Board of Directors  
SAAFE House  
Huntsville, Texas 77320

**Opinion**

We have audited the accompanying financial statements of SAAFE House (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SAAFE House as of August 31, 2022, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAAFE House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAAFE House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

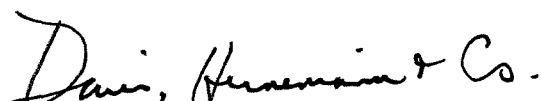
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SAAFE House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAAFE House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2023, on our consideration of SAAFE House'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 solely 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 the effectiveness of SAAFE House's 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 SAAFE House's internal control over financial reporting and compliance

Respectfully submitted,

  
Davis, Heinemann & Company, P.C.

Huntsville, Texas  
June 9, 2023

**SAAFE HOUSE**  
**Statement of Financial Position**  
**As of August 31, 2022**

**ASSETS**

Current Assets:

Cash and Cash Equivalents (Note 1) \$ 142,700

Receivables:

Grant Receivables 184,593

Inventory in-kind (Note 2) 17,846

Other Assets 7,431

Total Current Assets 352,570

Long-term Investments (Notes 3 and 4) 25,903

Land, Buildings, Improvements, and Equipment,

Net of Depreciation (Note 5) 468,416

**TOTAL ASSETS** \$ 846,889

**LIABILITIES**

Current Liabilities:

Accounts Payable \$ 24,885

Due to Grantor 58,217

Accrued Expenses Payable 28,344

Current Maturities of Long-term Debt (Note 6) 29,174

Total Current Liabilities 140,620

Long-term Liabilities:

Compensated Absences Payable 3,418

Notes Payable (Note 6) 399,147

**TOTAL LIABILITIES** 543,185

**NET ASSETS (Note 1)**

Without Donor Restrictions 259,148

With Donor Restrictions 44,556

**TOTAL NET ASSETS** 303,704

**TOTAL LIABILITIES AND NET ASSETS** \$ 846,889

The accompanying notes are an integral part of these financial statements.

**SAAFE House**  
**Statement of Activities**  
**For the Year Ended August 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE/EXPENSES</b>			
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Federal and State Grants	\$ -	\$ 754,496	\$ 754,496
Donations	105,894	68,241	174,135
Fundraising	116,126	-	116,126
In-kind Donations	92,941	-	92,941
Resale Shop Sales (Note 2)	74,601	-	74,601
SECC Campaign (Note 10)	7,907	-	7,907
Other Income	279	-	279
Rental Income	-	-	-
Net Assets Released from Restrictions	778,181	(778,181)	-
Total Revenues, Gains and Other Support	<u>1,175,929</u>	<u>44,556</u>	<u>1,220,485</u>
<b>EXPENSES AND LOSSES</b>			
Program Services			
Family Violence	669,069	-	669,069
Sexual Abuse	159,188	-	159,188
Total Program Services	<u>828,257</u>	<u>-</u>	<u>828,257</u>
Supporting Services			
Management and General	217,684	-	217,684
Resale Shop	111,473	-	111,473
Fundraising	74,981	-	74,981
Total Supporting Services	<u>404,138</u>	<u>-</u>	<u>404,138</u>
Total Expenses	<u>1,232,395</u>	<u>-</u>	<u>1,232,395</u>
Total Operating Revenues/Expenses	(56,466)	44,556	(11,910)
<b>NON-OPERATING REVENUE/EXPENSES</b>			
Gain/(Loss) on Disposal of Capital Assets	-	-	-
Total Non-Operating Revenues/Expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(56,466)	44,556	(11,910)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>315,614</u>	<u>-</u>	<u>315,614</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 259,148</u>	<u>\$ 44,556</u>	<u>\$ 303,704</u>

The accompanying notes are an integral part of these financial statements.

**SAAFE House**  
**Statement of Functional Expenses**  
**For the Year Ended August 31, 2022**

Expenses	Program Services		Supporting Services			Total
	Family Violence	Sexual Abuse	Management and General	Resale Shop	Fundraising	
Salaries and Benefits						
Salaries and wages	\$ 475,390	\$ 104,700	\$ 105,807	\$ 44,800	\$ 17,734	\$ 748,431
Payroll taxes	34,695	8,013	11,167	3,329	1,295	58,499
Employee benefits	23,444	11,415	16,889	94	1,458	53,300
Employee mileage	11,001	3,186	1,132	-	464	15,783
Total Personnel	<u>544,530</u>	<u>127,314</u>	<u>134,995</u>	<u>48,223</u>	<u>20,951</u>	<u>876,013</u>
Operating Expenses						
Resale shop cost of goods sold	141	47	-	42,335	-	42,523
Fundraising expense	-	-	825	-	17,606	18,431
In-kind donations to clients	26,856	6,714	-	13,646	-	47,216
Utilities	14,990	2,150	5,348	462	1,280	24,230
Depreciation	-	-	22,503	-	-	22,503
Telephones	11,916	3,303	4,889	1,087	3,358	24,553
Insurance	5,888	3,384	13,139	1,963	5,888	30,262
Supplies, printing and postage	16,510	4,122	2,417	1,090	5,678	29,817
Interest expense	7,708	1,324	7,017	-	580	16,629
Groceries	3,546	241	311	-	19	4,117
Rents and leases	2,379	458	4,233	68	96	7,234
Maintenance and repairs	15,683	2,507	2,367	1,407	15,296	37,260
Other expenses	4,761	1,309	5,061	199	1,765	13,095
Workman's compensation insurance	2,241	330	334	275	47	3,227
Conferences, hotels and meals	1,386	1,182	35	-	15	2,618
Client assistance	1,039	-	-	-	-	1,039
Advertising	163	93	303	16	218	793
Dues	2,353	509	1,163	86	415	4,526
Accounting and auditing	6,979	4,201	12,744	616	1,769	26,309
Total Operating Expenses	<u>124,539</u>	<u>31,874</u>	<u>82,689</u>	<u>63,250</u>	<u>54,030</u>	<u>356,382</u>
<b>Total</b>	<u>\$ 669,069</u>	<u>\$ 159,188</u>	<u>\$ 217,684</u>	<u>\$ 111,473</u>	<u>\$ 74,981</u>	<u>\$ 1,232,395</u>

The accompanying notes are an integral part of these financial statements.

**SAAFE House**  
**Statement of Cash Flows**  
**For the Year Ended August 31, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (Decrease) in Net Assets	\$ (11,910)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (used) by Operating Activities:	
Depreciation	22,503
Unrealized Gain/Loss on Investments	5,079
(Increase) Decrease in Grant Receivables	(95,523)
(Increase) Decrease in Other Receivables	-
(Increase) Decrease in Inventory	(5,304)
(Increase) Decrease in Other Assets	(6,663)
Increase (Decrease) in Accounts Payable	16,943
Increase (Decrease) in Due to Grantor	58,217
Increase (Decrease) in Accrued Expenses Payable	17,099
Increase (Decrease) in Accrued Expenses Payable	<u>(5,855)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(5,414)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
(Purchase)/Sale of Investments	(26,990)
Purchase of Capital Assets	<u>-</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(26,990)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Long-term Debt	-
Principal Payments on Long-term Debt	<u>(25,141)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(25,141)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(57,545)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>200,245</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 142,700</u></u>

The accompanying notes are an integral part of these financial statements.



**SAAFE House**  
**Notes to the Financial Statements**  
**August 31, 2022**

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**Note 1 – Significant Accounting Policies**

**Organization** – The Walker County Family Violence Council, Inc. (the Council) was incorporated in September 1984, as a nonprofit corporation in Texas. The purpose of the Council is to provide a place of safety and to provide support services to victims of family violence in Walker, Polk, San Jacinto and Trinity counties. In 1988 services were expanded to include sexual assault victims. At that time the council changed its operating name to Sexual Assault and Abuse Free Environment (SAAFE House). The mission of SAAFE House is to provide community-based, immediate, free, and confidential services to victims of abuse, and to educate the community at large in order to eliminate the causes of family violence and sexual abuse. Services are provided by professionally trained staff and volunteers.

**Basis of Presentation** – The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated according to an approved cost allocation plan and include salaries and benefits, which are allocated on the basis of actual of time and effort, and office and utilities, which are allocated on an hours-worked basis.

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

**Cash and Cash Equivalents** – Cash and cash equivalents include all monies in banks that are available for current use with maturity dates of less than three months from the date of acquisition. The carrying value of cash and cash equivalents approximates fair values because of the short maturities of those financial instruments. As of August 31, 2022, SAAFE House had cash balances in excess of amounts federally insured.

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

**Revenue Recognition** – Support and revenue received by SAAFE House primarily consists of grants from State of Texas agencies, pass-through grants from federal awarding agencies, donations from the public, and thrift shop sales from donated goods. In accordance with FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, support and revenue from grants, donations received, and thrift shop sales are analyzed first as being contributions or exchanges, and if determined to be contributions, whether they should be recorded as with

or without donor restrictions depending on the existence and/or nature of donor or awarding agency restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets are released from restrictions.

**Contributed Services** – SAAFE House receives a substantial amount of services donated by volunteers in carrying out the Organization’s programs. Volunteers maintain timesheets as records of donated hours for grant match purposes, using rates from \$11.50 - \$18.00 per hour, depending on the type of service provided. During the year ended August 31, 2022, the following hours were worked by volunteers:

- 918 – Direct Client Service Hours (including training)
- 1,949 – Program Support
- 159 – Fundraising
- 342 – Board Meetings
- 2,653 – Resale Shop
- 6,021 – Total Volunteer Hours

In accordance with ASC 958-605, *Accounting for Contributions Received and Contributions Made*, contributed services are only recognized as contribution revenue if the volunteers possess specialized skills and the volunteer services would typically need to be purchased if not provided by donation. The volunteer hours did not meet the “specialized skills” test and, therefore, are not recorded as contribution revenue, but are used for grant match requirements.

**Income Tax Status** – SAAFE House is a not-for-profit organization that is exempt from income taxes under section 501(C)(3) of the Internal Revenue Code. The Organization files a 990 annually with the IRS.

**Note 2 – Inventory**

Consistent with ASC 958-605, *Accounting for Contributions Received and Contributions Made*, donated goods which primarily consist of used clothing, furniture, and household goods, are reported at fair value in the period received as in-kind donations. Donated items that can be used by program recipients are reported as program expenses or are transferred to the thrift store for resale to retail customers. Other items that have no value or are suitable for salvage purposes only are sold to a third-party recycler or are disposed of, but are not recorded as items received. Fair value estimates of inventory are based upon physical counts that are performed annually, and knowledge of the local market for similar merchandise. In accordance with ASC 330-10, *Inventory*, an entity should measure inventory at the lower of cost and net realizable value if the inventory is measured using FIFO or average cost (used by Organization). Net realizable value is the estimated selling price in the ordinary course of business.

A summary of the change in inventory is provided below:

	Inventory, At Fair Value
Beginning inventory, at September 1, 2021	\$ 12,542
In-kind donations, at estimated fair value	59,372
In-kind donation expense, at estimated fair value	(13,646)
Cost of goods sold, at estimated fair value	(40,422)
Ending inventory, at August 31, 2022	<u>\$ 17,846</u>

### Note 3 – Investments

The fair value of investments held at Edward Jones totaled \$25,903 at August 31, 2022.

### Note 4 – Fair Value Measurement

The Organization categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements, in their entirety, are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Organization currently has \$25,903 in a Level 1 Bond Pooled Fund investment that requires fair value measurement.

#### Assets and Liabilities Measured at Fair Value on a Recurring Basis:

	Fair Value Measurements Using:			Balance at 8/31/2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by Fair Value Level:				
Bond Securities				
Bond Mutual Funds	\$ 25,903	\$ -	\$ -	\$ 25,903
Total Bond Securities	<u>25,903</u>	<u>-</u>	<u>-</u>	<u>25,903</u>
Total Investments by Fair Value Level	<u>\$ 25,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,903</u>

Bond securities classified in Level 1 are valued using prices quoted in active markets for those securities.

### Note 5 – Land, Buildings, Improvements, and Equipment

Acquisitions of land, buildings, improvements, and equipment in excess of \$5,000 are capitalized. Land, buildings, improvements, and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

The following is a summary of land, buildings, improvements, and equipment-at cost, less accumulated depreciation:

	<u>Cost</u>	<u>Depreciable Life</u>
Land	\$ 93,600	
Buildings	617,556	30-40 years
Improvements	136,044	10-15 years
Equipment	<u>25,267</u>	3-10 years
Total Fixed Assets	872,467	
Less: Accumulated Depreciation	<u>(404,051)</u>	
	<u>\$ 468,416</u>	

Depreciation expense for 2022 was \$22,503.

#### **Note 6 – Long-Term Debt**

Long-term debt consists of a mortgage on the real property and improvements thereon of SAAFE House in Huntsville and Livingston, Texas and one SBA loan.

The original term of the mortgage loan when originated on June 30, 2006 was twenty-five years with a principal balance of \$570,000. The original interest rate of the loan was 8.25%. The rate of the loan is now variable and it is tied to the prime rate as quoted in the money market section of the Wall Street Journal. As of August 31, 2022, principal and interest payments are \$3,099 per month, and the interest rate is 4.75%. The loan is secured by liens against two tracts of property in Walker County and one tract of property in Polk County owned by the Organization.

Balance at August 31, 2022:       \$ 281,226

On June 20, 2020, the Organization obtained a COVID-19 Economic Injury Disaster loan from the Small Business Administration (SBA) for \$150,000 at a fixed rate of 2.75% and payments of \$641 over thirty years. The first payment was deferred for twelve months and began on June 20, 2021.

Balance at August 31, 2022:       \$ 147,095

Total Note Balances at August 31, 2022:       \$ 428,321

A summary of the total debt activity for the year is listed below:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Building Note	\$ 304,356	\$ -	\$ 23,130	\$ 281,226	\$ 25,481
EID Loan	149,106	-	2,011	147,095	3,693
Compensated Absences	<u>9,273</u>	<u>-</u>	<u>5,855</u>	<u>3,418</u>	<u>-</u>
Total Long-term Debt	<u>\$ 462,735</u>	<u>\$ -</u>	<u>\$ 30,996</u>	<u>\$ 431,739</u>	<u>\$ 29,174</u>

Current maturities for the next five years and subsequent five-year amounts based upon the note terms as of August 31, 2022 are listed below:

<u>Year ending August 31:</u>	<u>Principal Due:</u>	<u>Interest Due</u>
2023	\$ 29,174	\$ 16,807
2024	30,514	15,467
2025	31,917	14,064
2026	33,386	12,596
2027	34,924	11,058
2028-2032	163,233	30,236
2033-2037	25,695	12,765
2038-2042	29,478	8,982
2043-2047	33,818	3,708
2048-2052	16,182	484
	<u>\$ 428,321</u>	<u>\$ 126,167</u>

**Note 7 – Commitments Under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for future rental payments as of August 31, 2022, as follows:

Year Ending August 31,		
2023	\$	9,423
2024		9,423
2025		<u>2,615</u>
Total Lease Commitments	\$	<u>21,461</u>
Rental Expenditures in 2022	\$	<u>9,423</u>

**Note 8 – Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The detail of the functional expense categories is on a separate statement, *Statement of Functional Expenses*.

**Note 9 – Concentrations**

The majority of SAAFE House’s support and revenue comes from the Texas Department of Health and Human Services, and the Office of the Governor through state grants, and pass-through grants from the federal government. SAAFE House is subject to the administrative directives, rules, and regulations of the Texas Department of Health and Human Services, and the office of the Governor and in addition is subject to legislative actions of the Texas State Legislature and the budget constraints of the federal government.

**Note 10 – Liquidity and Availability of Financial Assets**

The following reflects the Organization’s financial assets as of August 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The Organization does not have any donor-restricted amounts that are not available for use within one year for general purposes.

Liquid financial assets	\$ 168,603
Restricted for building	<u>(44,556)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 124,047</u>

**Note 11– Commitments and Contingent Liabilities**

SAAFE House participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that SAAFE House has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of SAAFE House, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been reported in the accompanying financial statements for such contingencies.

**Note 12 – Related Parties**

During the fiscal year ending August 31, 2022, the Board members did not have any related party transactions with the Organization.

**Note 13 – Evaluation of Subsequent Events**

The Organization evaluated subsequent events through June 9, 2023, which is the date through which the financial statements were available to be issued. Repayment back to one of the grantors for unspent funds was the only event identified that required recording or disclosure in the financial statements for the year ended August 31, 2022.



**DAVIS, HEINEMANN & COMPANY, P.C.**

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Board of Directors and Executive Director  
SAAFE House

We have audited the accompanying financial statements of SAAFE House, as of and for the year ended August 31, 2022, and have issued our report thereon dated June 9, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of SAAFE House is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered SAAFE House's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAAFE House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SAAFE House's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in SAAFE Houses internal control described in Finding 2022-1, Finding 2022-2 and Finding 2022-3 to be significant deficiencies.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAAFE House's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

  
Davis, Heinemann & Company, P.C.  
June 9, 2023



**SAAFE House**  
**Schedule of Findings and Questioned Costs**  
**August 31, 2022**

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A. Summary of Auditor's Results

1. Financial Statements

Type of audit report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

B. Financial Statement Findings

Finding 2022-1

Criteria:

It is imperative for strong internal control procedures to be established and effective. Reconciling the bank accounts to the general ledger each month is a cost-effective way to help improve internal control.

Condition:

The Organization's bank accounts are not all properly reconciled to the general ledger.

Cause:

Lack of continuity in the Finance Director position.

Recommendation:

The Organization should hire a qualified full-time Finance Director to ensure all necessary accounting tasks are completed in a timely manner.

Management's Response:

A qualified person has accepted the position and will begin by the end of June.

Contact Person Responsible for Corrective Action:

Tracy Stoudt, Executive Director

Current Status:

A new full-time Finance Director with the necessary experience has been hired and is expected to begin by the end of June.

Finding 2022-2

Criteria:

Account balances should be accurately and properly reported and reconciled at least monthly.

Condition:

Several of the liability accounts had the liability properly set up but the payment against that liability occurred in a different general ledger account so the liability still had a balance even after it was paid.

Cause:

Turnover in the Finance Director position resulted in insufficient review of the general ledger accounts.

Recommendation:

The Organization needs to hire a qualified Finance Director, experienced in basic accounting principles.

Management's Response:

A qualified person has accepted the position and will begin by the end of June.

Contact Person Responsible for Corrective Action:

Tracy Stoudt, Executive Director

Current Status:

A new full-time Finance Director with the necessary experience has been hired and is expected to begin by the end of June.

Finding 2022-3

Criteria:

All assets should be properly recorded and safeguarded.

Condition:

Restricted cash was not segregated into a separate bank account and not noted as restricted in the donor management system.

Cause:

Turnover in the Finance Director position resulted in Organization policies and procedures not being properly followed.

Recommendation:

The Organization needs to hire a qualified Finance Director, experienced in basic accounting principles.

Management's Response:

A qualified person has accepted the position and will begin by the end of June.

Contact Person Responsible for Corrective Action:

Tracy Stoudt, Executive Director

Current Status:

A new full-time Finance Director with the necessary experience has been hired and is expected to begin by the end of June.

**SAAFE House**  
**Summary Schedule of Prior Audit Findings**  
**August 31, 2022**

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None reported.