

**SAFEHOUSE OUTREACH, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

---

**MARTIN, HARPS, SYPHOE & CO**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**SAFEHOUSE OUTREACH, INC.**

**TABLE OF CONTENTS**

**DECEMBER 31, 2021**

	<b><u>PAGE</u></b>
<b>Independent Auditor's Report.....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statement Of Financial Position .....	4
Statement Of Activities.....	5
Statement Of Functional Expenses .....	6
Statement Of Cash Flows .....	7
Notes To The Financial Statements .....	8
<b>Compliance and Internal Control Report:</b>	
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i> .....	16

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Safehouse Outreach, Inc.:

**Opinion**

We have audited the accompanying financial statements of Safehouse Outreach, Inc. ("SHO") (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the "financial statements".

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safehouse Outreach, Inc. as of December 31, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SHO and to meet our 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 opinions.

**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 SHO'S ability to continue as a going concern within twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **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 and *Government 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 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 and *Government 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of SHO'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 SHO'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 22, 2023, on our consideration of SHO's internal control over financial reporting and on our test 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 SHO'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 SHO's internal control over financial reporting and compliance.

**INDEPENDENT AUDITOR'S REPORT**

(Continued)

**Reporting on Summarized Comparative Information**

We have previously audited Safehouse Outreach, Inc.'s 2020 financial statements, and our report dated May 7, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Martin, Hays, Sypher & Co.*

Atlanta, Georgia  
June 22, 2023

**SAFEHOUSE OUTREACH, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2021**  
**(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash & cash equivalents	\$ 744,116	\$ 794,594
Investment (Note 3)	20,958	7,926
Promises to give (Note 4)	22,732	166,845
Grants receivable	17,155	43,988
Prepaid assets	8,488	19,113
Property and equipment (Note 5)	629,610	615,133
<b>TOTAL ASSETS</b>	<b><u>\$ 1,443,059</u></b>	<b><u>\$ 1,647,599</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 19,480	\$ 17,304
Deferred revenue	-	327,276
Loan payable - PPP	89,069	146,100
Note payable - current portion (Note 6)	30,750	29,458
Note payable - long-term portion (Note 6)	553,938	581,869
<b>TOTAL LIABILITIES</b>	<b><u>693,237</u></b>	<b><u>1,102,007</u></b>
<b>NET ASSETS</b>		
Without donor restrictions-		
Undesignated	504,822	300,592
Board-designated (Note 8)	245,000	245,000
<b>TOTAL NET ASSETS</b>	<b><u>749,822</u></b>	<b><u>545,592</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,443,059</u></b>	<b><u>\$ 1,647,599</u></b>

See independent auditor's report and notes to the financial statements.

**SAFEHOUSE OUTREACH, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(With Comparative Totals for 2020)**

<b>SUPPORT AND REVENUE</b>	<b>Without donor restrictions</b>	<b>Totals</b>	
		<b>2021</b>	<b>2020</b>
<b>Public support:</b>			
Contributions and grants	\$ 1,277,283	\$ 1,277,283	\$ 1,193,220
Government grants	157,165	157,165	167,948
<b>Total public support</b>	<b>1,434,448</b>	<b>1,434,448</b>	<b>1,361,168</b>
<b>Revenue:</b>			
Interest and dividend income	786	786	1,068
Gain/(loss) on investments	13,032	13,032	(1,581)
Inkind donations	28,361	28,361	-
Gain of extinguishment of debt - PPP loan	146,100	146,100	-
<b>Total revenue</b>	<b>188,279</b>	<b>188,279</b>	<b>(513)</b>
Fundraising events - gross revenue	51,185	51,185	96,104
Less: cost of direct benefit to donors	(34,161)	(34,161)	-
<b>Net fundraising events</b>	<b>17,024</b>	<b>17,024</b>	<b>96,104</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,639,751</b>	<b>1,639,751</b>	<b>1,456,759</b>
<b>EXPENSES</b>			
Program services	1,108,010	1,108,010	955,788
<b>Total program services</b>	<b>1,108,010</b>	<b>1,108,010</b>	<b>955,788</b>
Supporting services:			
Management and general	160,349	160,349	91,731
Fundraising	167,162	167,162	199,823
<b>Total supporting services</b>	<b>327,511</b>	<b>327,511</b>	<b>291,554</b>
<b>TOTAL EXPENSES</b>	<b>1,435,521</b>	<b>1,435,521</b>	<b>1,247,342</b>
<b>CHANGE IN NET ASSETS</b>	<b>204,230</b>	<b>204,230</b>	<b>209,417</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>545,592</b>	<b>545,592</b>	<b>336,175</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 749,822</b>	<b>\$ 749,822</b>	<b>\$ 545,592</b>

See independent auditor's report and notes to the financial statements.

SAFEHOUSE OUTREACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Program Services					Total Programs	Supporting Services		Totals	
	Urban Nation	Career Development	Guardian	Impact Meals	Problem Solvers		Management and General	Fundraising	2021	2020
Salaries	\$ 113,647	\$ 114,249	\$ 66,800	\$ 48,543	\$ 107,099	\$ 450,338	\$ 33,071	83,164	\$ 566,573	\$ 579,165
Payroll taxes	7,986	7,859	4,538	3,288	5,459	29,130	2,269	5,847	37,246	31,816
Employee benefits	6,816	8,683	8,040	4,939	6,970	35,448	11,113	18,910	65,471	98,810
Professional fees	-	-	-	-	-	-	16,266	-	16,266	37,335
Contracted services	-	-	24,430	-	25,285	49,715	-	10,888	60,603	50,747
Marketing and advertising	-	-	-	-	-	-	-	8,199	8,199	7,648
Training and staff development	250	-	-	53	-	303	6,619	-	6,922	26,840
Travel/transportation	196	936	2,901	50	12,110	16,193	486	2,710	19,389	5,878
Programmatic client support and activities	22,523	104,949	48,800	26,580	107,767	310,619	-	-	310,619	131,743
Information technology	-	-	-	-	-	-	3,932	400	4,332	18,627
Insurances	5,684	5,363	3,377	2,841	5,103	22,368	3,466	978	26,812	20,641
Building security	1,500	-	9,500	17,044	21,307	49,351	69	-	49,420	24,385
Utilities	5,634	2,817	3,420	2,816	11,812	26,499	869	939	28,307	22,970
Communications	4,124	3,568	1,869	1,870	1,883	13,314	665	1,498	15,477	16,022
Dues and subscriptions	3,299	-	-	-	-	3,299	1,960	17,455	22,714	16,567
Processing fees	-	-	-	-	-	-	5,272	-	5,272	10,524
Repairs and maintenance	3,897	1,128	5,248	11,580	7,068	28,921	680	954	30,555	35,356
Supplies and materials	12,167	5,751	6,995	17,300	6,697	48,910	9,507	13,910	72,327	38,331
Contributions	-	-	-	-	-	-	-	-	-	208
Interest	7,862	3,931	3,947	3,931	3,931	23,602	1,310	1,310	26,222	27,624
Loss on fixed asset disposal	-	-	-	-	-	-	4,078	-	4,078	-
Depreciation and amortization	-	-	-	-	-	-	58,717	-	58,717	46,305
<b>Total Expenses</b>	<b>\$ 195,585</b>	<b>\$ 259,234</b>	<b>\$ 189,865</b>	<b>\$ 140,835</b>	<b>\$ 322,491</b>	<b>\$ 1,108,010</b>	<b>\$ 160,349</b>	<b>\$ 167,162</b>	<b>\$ 1,435,521</b>	<b>\$ 1,247,542</b>

See independent auditor's report and notes to financial statements.



**SAFEHOUSE OUTREACH, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 204,230	\$ 209,417
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Depreciation and amortization	58,717	46,305
Loss on fixed asset disposal	4,078	-
(Increase)/decrease in assets:		
Promises to give	144,113	(142,891)
Grants receivable	26,833	(36,561)
Prepaid expenses	10,625	(11,113)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	2,176	(7,941)
Deferred revenue	(327,276)	327,276
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>123,496</u>	<u>384,492</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Change in investments, net	(13,032)	(3,725)
Purchases of equipment	(77,272)	(10,855)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(90,304)</u>	<u>(14,580)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from PPP loan	89,069	146,100
Forgiveness of PPP loan	(146,100)	-
Principal payments on loan	(26,639)	(27,678)
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(83,670)</u>	<u>118,422</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(50,478)	488,334
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	794,594	306,260
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 744,116</u>	<u>\$ 794,594</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest paid	\$ 26,222	\$ 27,624
Inkind donations	28,361	-

See independent auditor's report and notes to the financial statements.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

SafeHouse Outreach, Inc. (the "Organization") provides practical, emotional and physical assistance to those who reside outside of the main body of society, those who live in the margins, and integrates them back into society to lead healthy, functional lives. The Organization strives to meet individual needs, while instilling the principles of personal responsibility and accountability - all with unconditional acceptance. The Organization attempts to give a hand-up, not just a hand out. The Organization is supported primarily by grants and contributions.

**B. Basis of Accounting**

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they are earned, while expenses are recognized in the period in which they are incurred and accordingly reflect all receivables, payables and other liabilities.

**C. Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The Organization maintains its net assets in two classes as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by the donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when the stipulated time restriction ends or the purpose 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 released from restriction.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. New Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. Under the new guidance, lessor accounting is largely unchanged. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of this standard on the entity's financial statements.

On September 17, 2020, the FASB issued ASU 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The amendments should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is evaluating the impact of this standard on the entity's financial statements.

**E. Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Organization has evaluated its tax positions and management is of the opinion that material tax positions taken would more likely than not be sustained by examination. As of December 31, 2021, the Organization's tax years 2018 and later remain subject to examination by taxing authorities.

**F. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking, savings and temporary investment accounts. The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

**G. Investments**

Investments are reported at fair value with realized and unrealized gains and losses included in the accompanying statement of activities. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

**H. Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides reserves for promises to give, based on collectability. When an account is determined uncollectible, it is written off to bad debt expense.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Donated Property, Materials and Services**

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about the length of time those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Gifts of marketable securities are recorded at fair value on the date of the donation and deposited to a temporary investment account. The Organization's policy is to sell donated securities upon receipt; therefore, such donations are converted to cash within a few days of deposit.

Donated services are recognized in the financial statements if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. However, a substantial number of volunteers have donated significant amounts of time to the Organization's programs during the year.

**J. Property and Equipment**

Purchased property and equipment is capitalized at cost. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to the property accounts, while repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from five to forty years.

**K. Revenue Recognition**

The Organization recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization evaluates whether a transfer of assets is an exchange transaction or a contribution and distinguishes between conditional and unconditional contributions.

**L. Functional Expense Allocation**

The costs of providing various program services and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services based on management's estimate of benefit. Management uses the square footage of the programmatic space of each program in order to determine the allocation method for all overhead associated with delivering programs in the office building. There is also a monthly analysis performed on all direct and indirect work hours organization-wide as to determine the cost of salaries associated with the delivery of the organization's programs.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Management Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**N. Fair Value of Financial Instruments**

The carrying value of cash, cash equivalents, temporary investments, accounts and other receivables, other assets, accounts payable, deferred revenue, and other liabilities, approximate fair value because of the short maturity of these financial instruments. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**O. Debt Issuance Costs**

Debt issuance costs related to debt obligations are carried at cost, less accumulated amortization, and are being amortized over the life of the related debt. Unamortized debt issuance costs are recorded as a direct deduction from the note payable.

**P. Comparative Information**

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year's financial statement presentation. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**2. LIQUIDITY AND CASH AVAILABILITY**

Safehouse Outreach, Inc. regularly monitors liquidity required to meet its operating needs and other contractual and day-to-day functions, while also striving to maximize the investment of each dollar into the various programmatic models. The organization has a policy that requires it to hold several months of operating cash as a surplus in its money market account. This gives the organization liquidity at its discretion to buffer periods in which fundraising may or does not reach levels necessary to cover operating costs. For the purpose of analyzing resources available to meet general expenditures over a 12-month operating cycle, Safehouse Outreach considers all expenditures related to its ongoing programmatic activities as well as the conduct of services undertaken to support those activities to be general expenditures. In addition to the organization having financial assets available to meet general operating expenditures over the next 12 months, Safehouse Outreach also operates with a balanced budget that is produced at the end of each successful operating cycle. The organization anticipates collecting sufficient contributions to cover general expenditures not covered by donor restricted resources.

The Organization receives significant contributions and/or grants with and without donor restrictions to be used in accordance with the associated purpose restrictions. It also receives fundraising event income which is without donor restrictions.

The following represents the Organization's financial assets available at December 31, 2021 to meet general expenditures within one year.

Cash and cash equivalents	\$ 744,116
Investments	20,958
Receivables – grants and contributions	<u>39,887</u>
Financial assets available	<u>\$ 804,961</u>

**3. INVESTMENT**

At December 31, 2021, the fair value of the stock investment portfolio held was \$20,958.

**4. PROMISES TO GIVE**

At December 31, 2021, unconditional promises to give were \$22,732. Management believes that the promises to give are fully collectible within one year; therefore, no uncollectible reserve for promises to give is provided.

**5. PROPERTY AND EQUIPMENT**

At December 31, 2021, property and equipment consisted of the following:

Land and buildings	\$ 1,007,799
Office furniture and equipment	86,198
Vehicles	<u>77,273</u>
Subtotal	<u>1,171,270</u>
Less: accumulated depreciation	<u>(541,660)</u>
Property and equipment, net	<u>\$ 629,610</u>

During the year, depreciation expense was \$56,367.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**6. DEBT OBLIGATIONS**

a) During March 2016, the Organization executed a \$735,800 commercial promissory note, with a 4.3% fixed interest rate, payable to a financial institution within 84 months, maturing on March 23, 2023. The note included financing costs of \$11,752, amortized over the life of the loan, and requires monthly principal and interest payments of \$4,600 with a final balloon payment on the maturity date. The note is collateralized by the 89 Ellis Street real property. During the year, principal payments and amortized loan costs were \$28,989 and \$2,350, respectively. The outstanding principal balance and unamortized loan costs were \$585,276 and \$588, respectively. Interest expense for the year was \$26,222.

Scheduled future principal payments based on the note and unamortized debt issuance costs are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 30,750
2023	554,526
Unamortized debt issuance costs	(588)
Total note payable	<u>\$ 584,688</u>

b) Paycheck Protection Program loan (PPP) – on April 18, 2020, the Organization received a loan in the amount of \$146,100. On March 23, 2021, the U. S. Small Business Administration approved the loan for forgiveness. The forgiven amount is reflected in the statement of activities as revenue (gain on extinguishment of debt) during 2021.

c) Paycheck Protection Program loan (PPP) – on March 20, 2021, the Organization received a loan in the amount of \$89,069. On March 28, 2022, the U. S. Small Business Administration approved the loan for forgiveness. The amount will be reflected in the 2022 financial statements as a gain on extinguishment of debt.

Refer to Note 14 – Subsequent Event (PPP – loan forgiveness)

**7. OPERATING LEASES**

The Organization has non-cancelable lease agreements for office equipment. The leases range from 60 to 63 months. Annual lease payment obligations are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 1,270
2023	170
Total	<u>\$ 1,440</u>

Rent expense during the year under these leases was \$1,270.

**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**8. BOARD-DESIGNATED NET ASSETS**

The Board maintains its board-designated reserve at \$245,000 for board-approved expenditures.

**9. COMMITMENTS AND CONTINGENCIES**

Restricted contributions often require the fulfillment of certain conditions as set forth by the contributors. Failure to fulfill the conditions could result in the return of funds to the contributors. Although the return of the funds is a possibility, the Board of Directors deems the contingency unlikely, since upon accepting the contributions, the Organization has agreed to comply with provisions thereof.

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying value of cash and cash equivalents, receivables, promises to give, other assets, accounts payable and other liabilities approximate fair value because of the short maturity of these financial instruments.

**11. CONCENTRATIONS OF CREDIT RISK**

- a) Organization maintains cash deposits in bank deposit accounts which at times may exceed Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses of such accounts and believes it is not exposed to any significant credit risk on cash.
- b) The Organization depends heavily on contributions and grants for its revenue. The ability of certain of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Board of Directors believe the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors. During 2021, approximately 42% of public support was derived from a single donor.

**12. EMPLOYEE BENEFIT PLAN – 401(k) PROFIT SHARING PLAN**

The Organization maintains a 401k Profit Sharing Plan for eligible employees/participants and those that meet a minimum service requirement. The Plan and Trust qualifies as a tax-exempt profit-sharing plan and trust under Code sections 401(a) and 501(a), respectively, and the cash-or-deferred arrangement forming part of the Plan qualify under Code section 401(k). The Organization will contribute a matching contribution equal to 50% of the participant's matched employee contribution that is not in excess of 6% of the participant's compensation, as defined. During 2021, employer contributions were \$8,438.

**13. IMPACT OF COVID19 PANDEMIC**

The COVID19 pandemic has caused global business disruptions and economic uncertainties. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of the COVID19 pandemic is unknown and cannot be reasonably estimated as these events continue to develop. During May 2023, the World Health Organization deemed the pandemic – no longer a global health emergency.



**SAFEHOUSE OUTREACH, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**14. SUBSEQUENT EVENT**

Management evaluated subsequent events of the Organization through June 22, 2023, the date the financial statements were available to be issued and concluded that a subsequent event occurred that would require recognition in the financial statements or disclosure in the Notes to the Financial Statements as follows:

- a) On March 28, 2022, the \$86,069 PPP loan was forgiven in full by the U. S. Small Business Administration.

**SAFEHOUSE OUTREACH, INC.**

**COMPLIANCE AND INTERNAL CONTROL REPORT**

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Safehouse Outreach, Inc.:

We have audited, 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, the financial statements of Safehouse Outreach, Inc. (a non-profit organization), (the "Organization") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Safehouse Outreach, Inc.'s financial statements, and have issued our report thereon dated June 22, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

**INDEPENDENT AUDITOR'S 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**

(Continued)

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlanta, Georgia  
June 22, 2023