

SAFEHOUSE OUTREACH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

MARTIN, HARPS, SYPHOE & CO
CERTIFIED PUBLIC ACCOUNTANTS

SAFEHOUSE OUTREACH, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Safehouse Outreach, Inc.:

We have audited the accompanying financial statements of SafeHouse Outreach, Inc. (the " Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safehouse Outreach, Inc. as of December 31, 2019, 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2021, 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 the 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.

Reporting on Summarized Comparative Information

We have previously audited Safehouse Outreach, Inc.'s 2018 financial statements, and our report dated November 5, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Atlanta, Georgia
August 19, 2021

SAFEHOUSE OUTREACH, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash & cash equivalents	\$ 306,260	\$ 163,169
Promises to give (Note 4)	23,954	10,875
Grants receivable	7,427	-
Prepaid assets	8,000	5,000
Investment (Note 3)	4,201	172
Property and equipment (Note 5)	648,232	686,467
TOTAL ASSETS	<u>\$ 998,074</u>	<u>\$ 865,683</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 25,245	\$ 67,912
Deferred revenue	-	3,200
Note payable - current portion (Note 6)	25,870	27,034
Note payable - long-term portion (Note 6)	610,784	633,755
TOTAL LIABILITIES	<u>661,899</u>	<u>731,901</u>
NET ASSETS		
Without donor restrictions-		
Undesignated	91,175	(111,218)
Board designated (Note 8)	245,000	245,000
TOTAL NET ASSETS	<u>336,175</u>	<u>133,782</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 998,074</u>	<u>\$ 865,683</u>

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

SAFEHOUSE OUTREACH, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals for 2018)

SUPPORT AND REVENUE	Without donor restrictions	Totals	
		2019	2018
Public support:			
Contributions and grants	\$ 1,201,578	\$ 1,201,578	\$ 893,170
Government grants	53,854	53,854	13,000
Total public support	1,255,432	1,255,432	906,170
Revenue:			
Interest and dividend income	1,885	1,885	1,453
Gain/(loss) on investments	47	47	-
Other income	5,430	5,430	-
Total revenue	7,362	7,362	1,453
Fundraising events - gross revenue	191,765	191,765	202,942
Less: cost of direct benefit to donors	(46,390)	(46,390)	(94,914)
Net fundraising events	145,375	145,375	108,028
TOTAL SUPPORT AND REVENUE	1,408,169	1,408,169	1,015,651
EXPENSES			
Program services	865,293	865,293	832,310
Total program services	865,293	865,293	832,310
Supporting services:			
Management and general	144,515	144,515	227,987
Fundraising	195,968	195,968	166,719
Total supporting services	340,483	340,483	394,706
TOTAL EXPENSES	1,205,776	1,205,776	1,227,016
CHANGE IN NET ASSETS	202,393	202,393	(211,365)
NET ASSETS, BEGINNING OF YEAR	133,782	133,782	345,147
NET ASSETS, END OF YEAR	\$ 336,175	\$ 336,175	\$ 133,782

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

SAFEHOUSE OUTREACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals for 2018)

	Program Services						Supporting Services		Totals	
	Urban Nation	Career Development	Guardian	Impact Meals	Problem Solvers	Total Programs	Management and General	Fundraising	2019	2018
Salaries	\$ 144,622	\$ 98,604	\$ 89,456	\$ 63,592	\$ 72,110	\$ 468,384	\$ 37,688	\$ 98,388	\$ 604,460	\$ 567,946
Payroll taxes	7,117	5,012	4,587	3,241	3,961	23,918	1,890	4,975	30,783	30,849
Employee benefits	29,355	17,237	16,889	12,461	16,325	92,267	12,328	22,570	127,165	111,853
Professional fees	-	-	-	-	-	-	12,900	-	12,900	53,160
Marketing and resource development	-	-	-	-	-	-	-	19,664	19,664	11,920
Training and staff development	887	651	662	533	499	3,232	4,280	2,966	10,478	60,896
Travel/transportation	232	4,049	935	300	5,952	11,468	232	385	12,085	26,696
Programmatic client support and activities	47,221	22,836	9,413	37,127	26,878	143,475	983	7	144,465	36,902
Information technology	-	-	-	-	-	-	5,299	511	5,810	20,355
Insurance	8,022	4,770	3,972	3,972	4,770	25,506	3,064	1,324	29,894	25,083
Occupancy	475	225	3,447	5,792	2,598	12,537	474	-	13,011	2,555
Utilities	7,423	3,829	3,829	3,909	5,040	24,030	949	1,272	26,251	34,970
Communications	3,949	1,978	1,893	1,952	1,952	11,724	651	652	13,027	15,892
Dues and subscriptions	-	-	-	-	-	-	5,704	30,975	36,679	29,849
Processing fees	363	-	-	-	-	363	1,720	1,385	3,468	7,260
Repairs and maintenance	2,527	1,774	1,238	2,818	1,199	9,556	482	419	10,457	20,861
Supplies and materials	3,092	2,004	757	5,371	1,800	13,024	2,415	9,029	24,468	82,386
Contributions	-	-	-	-	-	-	4,664	-	4,664	1,931
Interest	8,596	4,298	4,298	4,319	4,298	25,809	2,408	1,446	29,663	29,752
Depreciation and amortization	-	-	-	-	-	-	46,384	-	46,384	37,645
Total Expenses	\$ 263,881	\$ 167,267	\$ 141,376	\$ 145,387	\$ 147,382	\$ 865,293	\$ 144,515	\$ 195,968	\$ 1,205,776	\$ 1,208,761

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

SAFEHOUSE OUTREACH, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 202,393	\$ (211,365)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation and amortization	46,384	37,645
(Increase)/decrease in assets:		
Promises to give	(13,079)	45,432
Grants receivable	(7,427)	-
Prepaid expenses	(3,000)	(3,551)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(42,667)	53,240
Deferred revenue	(3,200)	(800)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>179,404</u>	<u>(79,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment, change	(4,029)	9,343
Purchases of equipment	(5,800)	(66,258)
NET CASH USED BY INVESTING ACTIVITIES	<u>(9,829)</u>	<u>(56,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on line of credit	32,343	-
Principal payments on debt obligations	(58,827)	(24,269)
NET CASH USED BY FINANCING ACTIVITIES	<u>(26,484)</u>	<u>(24,269)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	143,091	(160,583)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>163,169</u>	<u>323,752</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 306,260</u>	<u>\$ 163,169</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid	\$ 29,663	\$ 29,752

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

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

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.

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

D. New Accounting Pronouncements (Continued)

In 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the guidance in Topic 606 is that an entity should recognize 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 ASU will be effective for the Organization's December 31, 2020 year-end. Early adoption is permitted. Management is evaluating the impact this standard on the entity's financial statements.

In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The ASU will be effective for the Organization's December 31, 2020 year-end. Early adoption is permitted. Management is evaluating the impact 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, 2019, the Organization's tax years 2016 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.

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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.

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. 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, 2019

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

L. 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.

M. 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.

N. 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.

O. 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 financial statement presentation. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018 from which the summarized information was derived.

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 of 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.

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. LIQUIDITY AND CASH AVAILABILITY (Continued)

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 Organization has a revolving line of credit to 75,000, maturing on January 23, 2020. Also refer to Note 13b – Subsequent Events related to PPP loans.

The following represents the Organization's financial assets available at December 31, 2019 to meet general expenditures within one year.

Cash and money market funds	\$ 306,260
Investments	4,201
Receivables – grants and contributions	31,381
Financial assets available	<u>\$ 341,842</u>

3. INVESTMENT

At December 31, 2019, the fair value of the stock investment held was \$4,201.

4. PROMISES TO GIVE

At December 31, 2019, unconditional promises to give were \$23,954. Management believes that the promises to give are fully collectible within one year; therefore, no uncollectable reserve for promises to give is provided.

5. PROPERTY AND EQUIPMENT

At December 31, 2019, property and equipment consisted of the following:

Land and buildings	\$ 999,176
Office furniture and equipment	83,966
Vehicles	15,120
Subtotal	<u>1,098,262</u>
Less: accumulated depreciation	<u>(450,030)</u>
Property and equipment, net	<u>\$ 648,232</u>

During the year, depreciation expense was \$44,034.

6. DEBT OBLIGATIONS

Note payable -

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 \$26,485 and \$2,350, respectively. The outstanding principal balance and unamortized loan costs were \$641,943 and \$5,289, respectively. Interest expense for the year was \$29,663.

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

6. DEBT OBLIGATIONS (Continued)

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>
2020	\$ 28,220
2021	29,458
2022	30,750
2023	553,515
Unamortized debt issuance costs	(5,289)
Total note payable	<u>\$ 636,654</u>

Also Refer to Note 13b - Subsequent Events (PPP loans)

Line of credit -

b) On July 31, 2019, the Organization executed a \$75,000 revolving line of credit, maturing on January 23, 2020, which was not renewed. Total borrowings and repayments for the year were \$32,343 and \$32,343. The outstanding principal balance at December 31, 2019 was zero. Interest expense for the year was zero.

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>	
2020	\$ 1,270
2021	1,270
2022	1,270
2023	170
Total	<u>\$ 3,980</u>

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

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.

SAFEHOUSE OUTREACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 2019, approximately 34% of public support and revenues 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 are not in excess of 6% of the participant's compensation, as defined. During 2019, employer contributions were \$10,621.

13. SUBSEQUENT EVENTS

Management evaluated subsequent events of the Organization through August 19, 2021, 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) 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 occurred subsequent to year-end and are still developing.
- b) As a result of the pandemic, government loans became available through the U. S. Small Business Administration (SBA) under the Payroll Protection Program (PPP). These loans qualify to be forgiveness under the SBA PPP loan guidelines and forgiveness applications have been submitted for approval. The Organization executed two PPP loans –
 - i. \$140,000 on April 18, 2020, maturing on April 10, 2022
 - ii. \$86,069 on March 29, 2021, maturing on April 2, 2026

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 the 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. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2021.

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) to determine the 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 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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

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
August 19, 2021