SAFE ENTRY, INC.

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2018

Safe Entry, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Safe Entry, Inc.

I have audited the accompanying financial statements of Safe Entry, Inc. (a Tennessee nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and statement of functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Entry, Inc. as of June 30, 2018, 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.

Maurice Danner, CPA P.C.

April 2, 2019

Nashville, Tennessee

ROSTER OF OFFICIALS

Wendy Squirewell - Chairman

Dr. Edward Pelote - Treasurer

Pat Howell- Secretary

Perrion Gordan - Director

Safe Entry, Inc.
Statement of Financial Position
June 30, 2018

Assets		
Cash and cash equivalents	$	140,847
Accounts receivable (note 2)		46,710
Loans receivable (note 4)		149,260
Land, buildings and equipment, net (note 5)		484,092
Total assets	$	820,908
Liabilities and net assets		
Accounts payable		9,397
Accrued expenses and other liabilities		27,642
Notes payable (note 7)		350,860
Total liabilities		387,899
Net assets:		
Unrestricted		433,010
Temporarily restricted		-
Permanently restricted		-
Total net assets		433,010
Total liabilites and net assets	$	820,908

The accompanying notes are an integral part of these financial statements

Safe Entry, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Program service fees	$ 622,263	-	-	$ 622,263
Other revenues	9			9
Total revenues	622,272	-	-	622,272
Expenses				
Program services	305,484	-	-	305,484
General and administrative	173,440	-	-	173,440
Total Expenses	478,924			478,924
Change in Net Assets	$ 143,348	$ -	$ -	$ 143,348

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

Safe Entry , Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018

Operating activities:	
Change in net assets	$ 143,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,834
(Increase) Decrease in assets	
Accounts Receivable	(21,716)
Loans Receivable	-
Other Assets	(44,857)
(Decrease) Increase in liabilities	
Accrued expenses and other liabilities	(7,726)
Accounts Payable	7,599
Net cash provided by Operating Activities	91,482
Investing activities:	
Purchase of building	(135,000)
Purchase of vehicle	(12,480)
Net cash used by Investing Activities	(147,480)
Financing activities:	
Proceeds from notes payable	108,000
Payments of note payable	(43,158)
Net cash provided by Financing Activities	64,842
Change in cash and cash equivalents	8,844
Cash and cash equivalents at beginning of year	132,003
Cash and cash equivalents at end of year	$ 140,847
Supplemental disclosures:	
Interest Paid	$ 14,085

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

Safe Entry, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services	General & Administrative	Total
Tax and license		8,044	8,044
Contract services	8,300	17,793	26,093
Advertising		6,428	6,428
Day program	7,045		7,045
Food expense	28,013		28,013
Rent	5,244		5,244
Payroll expenses	94,515	98,479	192,995
Insurance	16,281	2,789	19,069
Interest expense	14,085		14,085
Occupancy	58,664	17,727	76,390
Utilities	16,320		16,320
Memberhsip dues		930	930
Furniture and equipment		1,080	1,080
Miscellaneous		2,275	2,275
Print and copy		1,185	1,185
Professional development	2,021		2,021
Repairs and maintenance	27,437	1,962	29,399
Settlement charges		3,696	3,696
Supplies	2,530	5,967	8,498
Telephone	919	1,798	2,717
Automobile	5,990		5,990
Travel and meetings	3,286.61	3,287	6,573
Depreciation	14,834		14,834
Total Expenses	$ 305,484	$ 173,440	$ 478,924

The accompanying notes are an integral part of these financial statements

NOTE 1 – DESCRIPTION OF ORGANIZATION

Safe Entry, Inc., is a non-profit 501c (3) agency incorporated in the State of Tennessee since 2001. The agency is licensed by the Tennessee Department of Mental Health and Substance Abuse for Supportive Housing, Adult Day Care Treatment, Psychosocial Rehabilitation Services and Mental Health Outpatient. The Mission of Safe Entry, Inc. is to provide quality care to the consumers and families we serve through meeting their Mental Health needs and continuously striving to exceed their expectations.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Financial position and activities are classified based on the existence or absence of donor restrictions as follows:

Unrestricted Net Assets – Net assets that are not temporarily or permanently restricted by explicit donor stipulations or by law,

Temporarily Restricted Net Assets- Net assets, accepted by board actions, that are restricted by a donor for use for a particular purpose or in a particular future period.

Permanently Restricted Net Assets – Net assets, accepted by board actions, subject to donor stipulations that require the assets to be invested in perpetuity.

Cash and Cash Equivalents

Cash consist of checking accounts deposited at a financial institution. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account.

Support, Revenue and Expenses

Revenue is reported at the estimated net realizable amounts from service provider agreements and rent income.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Land, Buildings and Equipment

Land, buildings and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized, Equipment is capitalized if it has a cost of $500 or more and useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings and improvements	39 years
Leasehold improvements	20 years, or remaining lease term if shorter
Furnishings and equipment	5-10 years

Tax Status

The organization is incorporated exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose(unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are primarily unsecured amounts due from service provider agreements, Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

NOTE 3 – CONCENTRATION OF REVENUE

The organization obtained 93% of its revenue from Amerigroup, Inc. and the Mental Health Co-op. Any change in regulations surrounding these entities will affect the Organization's revenue.

NOTE 4 – LOANS RECEIVABLE (Related Party)

The executive director borrowed funds from the Organization to purchase a property. The amount borrowed was $149,260. Management initially had plans to utilize the property as a group home. The current plan is to sell the property and pay back the borrowed funds.

NOTE 5– PROPERTY AND EQUIPMENT (Related Party)

The organization purchased a home on October 6, 2017 that was owned by the executive director. The purchase price was $135,000.

Buildings and improvements	523,495
	523,495
Accumulated depreciation	(39,402)
Total land, buildings and equipment net	$ 484,092

Depreciation expense for the year ending June 30, 2018 was $14,834.

NOTE 6 – OPEATING LEASES (Related Party)

The Organization has signed lease agreements for its group homes and administrative office facilities. The executive director is the landlord for the group home lease agreements. Total rent expense paid for the year ended June 30, 2018 was $76,390 . Future minimum lease payments are as follows:

June 30:		
	2019	76,300
	2020	58,800
	2021	58,800
	2022	58,800
	2023	32,100

NOTE 7 – NOTES PAYABLE

Notes payable at June 30, 2018 are as follows:

Notes payable to Regions Bank in the original principal amount of $261,000 due on April 1, 2027. Fixed interest rate of 4.0%, payable in monthly principal and interest payments of $1,930.59. Note payable to Regions Bank in the original principal amount of $108,000 due on

December 1, 2031. Fixed interest rate of 5.35%, payable in monthly principal and interest payments of $873.88.

Year ending June 30	
2019	18,582
2020	19,409
2021	20,274
2022	21,179
2023	22,124
Thereafter	249,291
Total payments	350,860
Notes Payable	$ 350,860

NOTE 8 – SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure as of April 2 ,2019, the date management evaluated such events. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.