

**SAFE ENTRY, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**JUNE 30, 2017**

## 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 nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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.



January 5, 2018

**Safe Entry, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**

**Assets**

Cash and cash equivalents	\$ 58,264
Accounts receivable (note 2 )	24,994
Loans receivable (note 4 )	149,260
Land, buildings and equipment, net (note 5 )	<u>339,155</u>
 Total assets	 <u><u>\$ 571,672</u></u>

**Liabilities and net assets**

Accounts payable	1,798
Accrued expenses and other liabilities	35,368
Notes payable (note 6 )	<u>258,933</u>

Total liabilities	<u>296,099</u>
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**Net assets:**

Unrestricted	275,573
Temporarily restricted	-
Permanently restriced	<u>-</u>

Total net assets	<u>275,573</u>
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Total liabilites and net assets	<u><u>\$ 571,672</u></u>
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The accompanying notes are an integral part of these financial statements

**Safe Entry, Inc.**  
**Statement of Activities**  
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues</b>				
Program service fees	\$ 556,732	-	-	\$ 556,732
Other revenues	27,517			27,517
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	584,249	-	-	584,249
 <b>Expenses</b>				
Program services	277,791	-	-	277,791
General and administrative	162,369	-	-	162,369
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<u>440,161</u>			<u>440,161</u>
 <b>Change in Net Assets</b>	 <u><u>\$ 144,088</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 144,088</u></u>

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

**Safe Entry , Inc.**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2017

<b>Operating activities:</b>	
Change in net assets	\$ 144,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	
 (Increase) Decrease in assets	
Accounts Receivable	(24,994)
Loans Receivable	(149,260)
 (Decrease) Increase in liabilities	
Accrued expenses and other liabilities	38,470
Accounts Payable	1,798
 Net cash provided by Operating Activities	<u>10,102</u>
 <b>Investing activities:</b>	
Purchase of building	(340,980)
 Net cash used by Investing Activities	<u>(340,980)</u>
 <b>Financing activities:</b>	
Proceeds from notes payable	261,000
Payments of note payable	(3,861)
 Net cash provided by Financing Activities	<u>257,139</u>
 Change in cash and cash equivalents	(73,739)
 Cash and cash equivalents at beginning of year	<u>132,003</u>
 Cash and cash equivalents at end of year	<u><u>\$ 58,264</u></u>
 <b>Supplemental disclosures:</b>	
Interest Paid	<u><u>\$ 1,794</u></u>

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

**Safe Entry, Inc.**  
**Statement of Functional Expenses**  
Year Ended June 30, 2017.

	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Tax and license	763	1,956	2,719
Contract services	11,825	15,105	26,930
Advertising	3,360	-	3,360
Day program	8,845	-	8,845
Food expense	26,640	-	26,640
Rent	39,678		39,678
Payroll expenses	109,033	50,180	159,213
Insurance	11,527	4,264	15,791
Interest expense	-	1,794	1,794
Utilities	21,078	31,905	52,983
Membershsip dues	-	480	480
Furniture and equipment	-	1,799	1,799
Miscellaneous	1,246	2,285	3,531
Repairs and maintenance	28,282	30,891	59,173
Security	-	1,366	1,366
Supplies	2,953	5,685	8,638
Telephone	1,662	333	1,995
Automobile	10,898	4,031	14,929
Travel	-	8,470	8,470
Depreciation	-	1,825	1,825
Total Expenses	<u>\$ 277,791</u>	<u>\$ 162,369</u>	<u>\$ 440,161</u>

The accompanying notes are an integral part of these financial statements

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**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 and Mental Health Outpatient Treatment Services.

**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.



Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**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.

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**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 72% of its revenue from Amerigroup and the state of Tennessee. Any change in regulations surrounding this entity 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**

Buildings and improvements	340,980
	<hr/> 340,980
Accumulated depreciation	<hr/> (1,825)
Total land, buildings and equipment net	<hr/> \$ 339,155

Depreciation expense for the year ending June 30, 2017 was \$1,825.

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**NOTE 6 – OPEATING LEASES(Related Party)**

The Organization has signed lease agreements for its group home facilities. The group homes are owned by the executive director. Total rent expense paid for the year ended June 30, 2017 was \$37,056. A renewal lease agreement was signed on January 1, 2018. Future minimum lease payments are as follows:

June 30:		
2018	\$	32,400
2019	\$	26,400
2020	\$	26,400
2021	\$	26,400
2022	\$	26,400
Thereafter	\$	39,600

**NOTE 7 – NOTES PAYABLE**

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.

Year ending June 30,		
2018	\$	23,167
2019		23,167
2020		23,167
2021		23,167
2022		23,167
Thereafter		227,810
Total payments		<u>343,645</u>
Less portion representing interest		<u>84,712</u>
Notes Payable	\$	<u>258,933</u>

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2017

**NOTE 8 – SUBSEQUENT EVENTS**

There were no subsequent events requiring disclosure as of January 5, 2018, the date management evaluated such events. The financial statements were available to be issued on January 5, 2018.