

**SAFE ENTRY, INC.  
INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**June 30, 2020**

**Maurice Danner, CPA P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

# 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, 2020, 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, 2020, 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.

December 18, 2020

Nashville, Tennessee

## **ROSTER OF OFFICIALS**

Wendy Squirewell - Chairman

Perrion Gordon - Director

**Safe Entry, Inc.**  
**Statement of Financial Position**  
**June 30, 2020**

**Assets**

Cash and cash equivalents	\$ 479,976
Accounts receivable (note 2 )	13,111
Loans receivable (note 5 )	149,260
Land, buildings and equipment, net (note 6 )	<u>539,587</u>

Total assets	<u><u>\$ 1,181,934</u></u>
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**Liabilities and net assets**

Accrued expenses and other liabilities	42,768
Notes payable (note 8)	<u>380,825</u>

Total liabilities	<u>423,593</u>
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**Net assets:**

Without donor restrictions	758,340
With donor restrictions	<u>-</u>

Total net assets	<u>758,340</u>
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Total liabilities and net assets	<u><u>\$ 1,181,934</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, 2020**

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b>Revenues</b>			
Program service fees	\$ 1,108,709	-	\$ 1,108,709
Other revenues	10,098		10,098
	<hr/>	<hr/>	<hr/>
Total revenues	1,118,807	-	1,118,807
<b>Expenses</b>			
Program services	680,293	-	680,293
General and administrative	296,049	-	296,049
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	976,342		976,342
	<hr/>		<hr/>
<b>Change in Net Assets</b>	<u><u>\$ 142,465</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,465</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, 2020

<b>Operating activities:</b>	
Change in net assets	\$ 142,465
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	26,551
 (Increase) Decrease in assets	
Accounts Receivable	26,605
 (Decrease) Increase in liabilities	
Accrued expenses and other liabilities	2,447
 Net cash provided by Operating Activities	<u>198,068</u>
<b>Investing activities:</b>	
Purchase of furniture and equipment	(56,434)
Net cash used by Investing Activities	<u>(56,434)</u>
<b>Financing activities:</b>	
Borrowings	67,000
Payments of note payable	(43,627)
Net cash provided by Financing Activities	<u>23,373</u>
 Change in cash and cash equivalents	165,007
 Cash and cash equivalents at beginning of year	<u>314,969</u>
 Cash and cash equivalents at end of year	<u><u>\$ 479,976</u></u>
 Supplemental disclosures:	
Interest Paid	<u><u>\$ 14,837</u></u>

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

**Safe Entry, Inc.**  
**Statement of Functional Expenses**  
Year Ended June 30, 2020

	Program Services	General & Administrative	Total
Advertising		16,051	16,051
Automobile	13,896	4,623	18,519
Contract services	14,228		14,228
Day program	12,991		12,991
Food expense	41,854		41,854
Insurance	22,171	14,966	37,137
Interest expense	5,308	9,529	14,837
Miscellaneous	20,627	9,893	30,520
Office		2,401	2,401
Payroll expenses	276,812	168,241	445,053
Professional fees	12,047	4,016	16,062
Rent	81,328		81,328
Repairs and maintenance	102,494	26,706	129,200
Supplies	26,545	15,902	42,447
Tax and license	7,093	2,782	9,875
Telephone	4,545	10,150	14,695
Travel and meetings	2,627		2,627
Utilities	17,190	2,775	19,964
Depreciation	18,537	8,014	26,551
Total Expenses	\$ 680,293	\$ 296,049	\$ 976,342

The accompanying notes are an integral part of these financial statements



Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**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.

**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.

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**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**

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

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 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial assets:						
Cash						\$ 479,976
Accounts receivable, net						13,111
Total financial assets						<u>493,087</u>
Less those not available for general expenditures within one year, due to:						-
Board designations:						-
Amount available for general expenditures within one year						<u>\$ 493,087</u>

### **NOTE 4 – CONCENTRATION OF REVENUE**

The organization obtained 80% of its revenue from Amerigroup, Inc. Any change in regulations surrounding this entity will affect the Organization's revenue.

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 5 – 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 6– PROPERTY AND EQUIPMENT**

Buildings and improvements				475,980
Furniture and equipment				75,377
Vehicles				73,430
				624,787
Accumulated depreciation				(85,199)
Total land, buildings and equipment net				\$ 539,587

Depreciation expense for the year ending June 30, 2020 was \$26,551.

**NOTE 7 – 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

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

expense paid for the year ended June 30, 2020 was \$81,328 . Future minimum lease payments are as follows:

June 30:		
	2021	58,800
	2022	58,800
	2023	32,100

#### **NOTE 8 – NOTES PAYABLE**

Notes payable at June 30, 2020 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.

Notes payable to Regions Bank Payroll Protection Program Loan in the original principal amount of \$67,000 due on April 30, 2022. Fixed interest rate of 1.0%, payable in monthly principal and interest payments of \$3,752.18. A loan forgiveness application is in process as of the date of this report.

Year ending June 30	
2021	49,931
2022	58,529
2023	22,124
2024	23,113
2025	24,146
Thereafter	202,981
Total payments	380,825
Notes Payable	<u>\$ 380,825</u>

Safe Entry, Inc.  
Notes to Financial Statements  
For the Year Ended June 30, 2020

**NOTE 9 – SUBSEQUENT EVENTS**

There were no subsequent events requiring disclosure as of December 18, 2020, 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.