Financial Statements
June 30, 2022
(With Comparative Totals for June 30, 2021)
Safe Embrace

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Independent Auditor's Report

To the Board of Directors Safe Embrace Reno, Nevada

Opinion

I have audited the financial statements of Safe Embrace (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Embrace as of June 30, 2022, 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 of Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Safe Embrace and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

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 Safe Embrace's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS 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 GAAS and Government Auditing Standards, I:

- 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 the circumstances, but not for the purpose of expressing
 an opinion on the effectiveness of Safe Embrace'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 my judgment, there are conditions or events considered in the aggregate, which raise substantial doubt about Safe Embrace's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Support, Revenue, and Expenses – Budget to Actual is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

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statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of support, revenue, and expenses – budget to actual and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

Christian Accounting Network

In accordance with *Government Auditing Standards*, I have also issued my report dated March 30, 2023 on my consideration of Safe Embrace's internal control over financial reporting and on my tests 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 my 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 Safe Embrace'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 Safe Embrace's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The 2021 financial statements of Safe Embrace were audited by me, and I expressed an unmodified opinion on those financial statements in my report dated September 30, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reno, Nevada March 30, 2023

Safe Embrace Statement of Financial Position June 30, 2022 (With Comparative Totals at June 30, 2021)

Assets		2022	(Me	2021 emorandum Only)
Current Assets Cash and cash equivalents Grants receivable Prepaid expenses and deposits	\$	193,111 353,306 6,686	\$	197,001 285,547 6,661
Total current assets		553,103		489,209
Noncurrent Assets Property and equipment, net		995,144		995,057
Total assets	<u>\$</u>	1,548,247		1,484,266
Liabilities and Net Assets				
Current Liabilities Accounts payable Payroll liabilities and accrued leave benefits Total current liabilities / total liabilities	\$	13,183 66,109 79,292	\$	43,722 30,355 74,077
Net Assets Without donor restrictions Invested in property and equipment Designated for operating reserves Undesignated		995,144 67,293 390,894 1,453,331		995,057 67,293 279,165 1,341,515
With donor restrictions		15,624		68,674
Total net assets		1,468,955		1,410,189
Total Liabilities and Net Assets	\$	1,548,247	\$	1,484,266

		2022		2021
	Without			Total
	Donor	With Donor		(Memorandum
	Restrictions	Restrictions	Total	Only)
Public and Governmental Support, Revenue and Reclassifications Public and governmental support				
Governmental grants	\$ 1,467,379	\$ -	\$ 1,467,379	\$ 1,420,096
Contributions	244,340	-	244,340	177,099
Fundraising	15,969	-	15,969	30,231
In-kind contributions	67,270		67,270	74,355
Total public and				
governmental support	1,794,958	-	1,794,958	1,701,781
Revenue				
Contract services	3,962	=	3,962	11,031
Interest income	6_		6_	20_
Total revenue	3,968	-	3,968	11,051
Net assets released due to satisfaction	on			
of purpose restrictions	53,050	(53,050)		
Total public and governmental support, revenue and				
reclassifications	1,851,976	(53,050)	1,798,926	1,712,832
Expenses Program services				
Safe house and survivor support	607,527	_	607,527	544,739
24-Hour crisis intervention	231,300	-	231,300	281,966
Transitional housing	113,458	=	113,458	134,733
Rapid Rehousing	416,892		416,892	371,902
Total program services	1,369,177	-	1,369,177	1,333,340
Supporting services				
General and administrative	288,764	-	288,764	279,092
Fundraising	82,219		82,219	54,983
Total supporting services	370,983		370,983	334,075
Total expenses	1,740,160		1,740,160	1,667,415
Other Income PPP Ioan forgiven				136,583
Change in Net Assets	111,816	(53,050)	58,766	182,000
Net Assets, Beginning of Year	1,341,515	68,674	1,410,189	1,228,189
Net Assets, End of Year	\$ 1,453,331	\$ 15,624	\$ 1,468,955	\$ 1,410,189

Safe Embrace

Statement of Functional Expenses For the Year Ended June 30, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

				2021				2021	
		Program	Services		Support Services				
	Safe House & Survivor Support	24-Hour Crisis Intervention	Transitional Housing	Rapid Rehousing	General and Administrative	Fundraising	Total	Total (Memorandum Only)	
Bank Service Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748	\$ 748	\$ 3,235	
Depreciation	31,739	-	-	_	-	_	31,739	28,596	
Dues and Subscriptions	-	-	-	-	17,104	_	17,104	1,565	
Employee Benefits	7,609	18,305	8,121	13,527	12,905	1,758	62,225	115,182	
Fundraising	-	-	-	-	-	23,245	23,245	22,554	
In-Kind Support	67,270	-	-	-	_	-	67,270	74,355	
Information Technology									
and Database	9,586	6,857	-	347	3,734	2,936	23,460	29,400	
Insurance	6,237	7,640	-	-	2,818	-	16,695	15,197	
Licenses and Taxes	-	-	-	-	1,039	-	1,039	1,525	
Marketing	3,171	485	-	-	-	9,000	12,656	3,551	
Occupancy	42,291	6,409	-	-	11,200	-	59,900	29,422	
Office	-	122	-	132	16,394	21	16,669	7,206	
Professional	11,540	8,172	124	39	42,557	21,203	83,635	122,792	
Payroll Taxes	27,087	12,524	3,599	7,563	13,772	1,878	66,423	65,023	
Postage	-	-	-	-	664	220	884	759	
Printing	-	-	-	-	4,809	-	4,809	6,963	
Repairs and maintenance	2,668	957	45	-	726	-	4,396	14,196	
Salaries and Wages	303,290	147,428	34,984	79,942	153,434	20,922	740,000	742,938	
Shelter and Client Services	51,241	6,921	5,112	315,213	-	-	378,487	275,959	
Telephone	35,231	11,415	-	129	2,223	-	48,998	18,737	
Training	6,798	2,479	235	-	5,340	-	14,852	13,798	
Transitional Housing	-	-	61,185	-	-	-	61,185	70,543	
Travel and Meetings	1,769	1,586	53		45	288	3,741	3,919	
	\$ 607,527	\$ 231,300	\$ 113,458	\$ 416,892	\$ 288,764	\$ 82,219	\$ 1,740,160	\$ 1,667,415	

	 2022	(Me	2021 morandum Only)
Operating Activities			
Change in net assets	\$ 58,766	\$	182,000
Adjustments to reconcile change in net assets			
to net cash flows from operating activities			
Depreciation	31,739		28,596
PPP loan forgiven	-		(135,470)
Changes in certain components of working capital			
Grants receivable	(67,759)		(38,263)
Prepaid expenses and deposits	(25)		8,483
Accounts payable	(30,539)		32,736
Payroll liabilities and accrued leave benefits	 35,754		(7,466)
Net Cash Flows from Operating Activities	27,936		70,616
Investing Activities			
Cash paid for shelter renovations	 (31,826)		(40,591)
Change in Cash and Cash Equivalents	(3,890)		30,025
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	 197,001		166,976
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 193,111	\$	197,001

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

About Safe Embrace

Mission Statement: Safe Embrace is committed to ending the cycle of domestic and sexual violence with innovative prevention and intervention services.

Safe Embrace's approach to care is unique; we minimize rules and maximize autonomy, advocacy, and safety. Our staff is trained to have conversations with survivors that empower them to adopt individualized goals and plans. Our holistic approach helps survivors move past the trauma they experienced so they can thrive when they leave our programs. We help victims of domestic abuse, sexual assault and human trafficking become survivors.

History

- 1994: Safe Embrace started providing support groups and outreach to the community.
- 1999: Safe Embrace established a 24-hour crisis response hotline to support victims of domestic violence.
- 2001: Safe Embrace opened the safe house.
- 2013: Safe Embrace began operating a scattered site transitional housing program.
- 2015: Safe Embrace was recognized as a dual focus shelter serving victims of domestic abuse, sexual assault, and human trafficking.
- 2015: Safe Embrace established a prevention and education program to help end the cycle
 of violence in our community.
- 2018: Safe Embrace began an expansion project to increase capacity of the safe house,
- 2019: Safe Embrace began operating the Rapid Rehousing program.

Services

Safe Embrace provides high quality, trauma-informed services to survivors of domestic and sexual violence in the Reno-Sparks area. The following services are offered at no cost to survivors and their children:

- Safe House
- 24 Hour Crisis Hotline
- Advocacy
- Evacuation Transportation and Emergency Hotel Placement
- Individual and Group Therapy
- Drug and Alcohol Counseling
- Legal Advocacy
- Community Housing Programs
- Specialized Case Management
- Outreach and Prevention Education Programs
- Kids Klub Program

Primary and secondary victims of domestic abuse, sexual assault and human trafficking were helped by Safe Embrace in the following ways.

- Safe Embrace operates the only "dual focus" shelter for victims of domestic abuse, sexual
 violence, and human trafficking in Washoe County. Our safe house is the largest, most
 inclusive shelter of its kind in the Reno/Sparks area (accommodating male, LGBTQIA2+, and
 survivors with disabilities) providing approximately 6,600 bed nights per year. The safe
 house is pet friendly and enables survivors to keep their pets on site.
- Safe Embrace's 24 hr. Crisis Response Team responds to requests from primary survivors
 of domestic and sexual violence through our hotline, electronic communication, and by
 assisting walk-in survivors. This program offers approximately 200 motel and hotel nights
 to primary and secondary survivors and offers emergency transportation assistance funds
 to clients.
- Safe Embrace's Transitional Housing program operates under a scattered site model. The program helps reduce the housing barriers that many low-income/homeless clients face.
- Safe Embrace's Rapid Rehousing program offers subsidized housing to survivors of domestic and sexual violence who are homeless or on the brink of homelessness.
 By addressing homelessness first, we can work through other issues related to domestic abuse, human trafficking, and sexual assault in a healthy and sustainable way.
- All services are offered at no cost to clients. Safe Embrace provides more than 500 individual and group counseling sessions, 400 legal advocacies, 700 case management sessions, 140 kids club activities to clients.
- Safe Embrace runs a robust prevention and education program. It offers more than 800 bystander intervention and prevention education programs to the Northern Nevada each year. This programing is crucial in raising awareness and ending the cycle of domestic and sexual violence.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Safe Embrace's audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash, Cash Equivalents, and Restricted Cash

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. Safe Embrace has no restricted cash or cash equivalents at June 30, 2022 and 2021.

Grants Receivable

Grants and contracts receivable consist of noninterest-bearing amounts due from governmental agencies or contracting agencies for expenditures incurred or services provided prior to year-end. The allowance for uncollectible accounts receivable is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectible. There is no allowance for doubtful accounts included in the financial statements at June 30, 2022 or 2021.

Property and Equipment

Equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Safe Embrace reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized when the assets are placed in service.

Revenue Recognition and Concentration of Credit Risk

Revenue is recognized upon satisfaction of the performance obligation associated with the revenue. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, a beneficial interest, or an unconditional promise to give – that is, those with a measurable performance obligation or other right of return is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Safe Embrace receives a substantial portion of its revenue from contracts/grants administered by the State of Nevada and the federal government. Safe Embrace's operations and program support are significantly dependent upon this revenue.

Contributed Services and In-Kind Contributions

Contributed materials are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Safe Embrace receives housewares, supplies, and clothing that are provided to victims in the shelter. The value of contributed items is estimated based upon thrift store costs.

Advertising Costs

Advertising costs are incurred to promote the Organization's activities and are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of estimates of time and effort. The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Income Taxes

Safe Embrace is a nonprofit corporation operating in Nevada and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been classified as an organization that normally receives a substantial part of its support from a governmental unit or from the general public as provided in Internal Revenue Code Section 170(b)(1)(A)(vi). Safe Embrace is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Safe Embrace is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Safe Embrace is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Safe Embrace would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash accounts with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through March 30, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Safe Embrace continues to monitor the effects of the novel coronavirus (COVID-19) pandemic, which has affected general business operations of every sector and certain non-essential governmental operations, Safe Embrace has been designated as an essential service provider and continues to offer its services while implementing safety protocols to reduce the transmission of the coronavirus. Safe Embrace is in communication with grantor agencies and is closely monitoring its operations, liquidity, and capital resources to adapt to changing events while maintaining operations and continuing to deliver services to victims of domestic violence. As of the date of issuance of these financial statements, the full impact of the COVID-19 related circumstances on Safe Embrace's operations and financial position are not known.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

		 2021		
Cash and cash equivalents Grants receivable	\$	193,111 353,306	\$ 197,001 285,547	
	<u>\$</u>	546,417	\$ 482,548	

Note 3 - Property and Equipment

Property and equipment consists of the following at June 30:

	2022		2021	
Fixed assets not being depreciated Land	\$	61,780	\$	61,780
Fixed assets being depreciated Building and improvements Office furniture and equipment Shelter furnishings and fixtures Shelter vans Website and computer software	\$	1,105,382 8,683 37,462 21,870 4,412 1,177,809		1,073,556 8,683 37,462 21,870 4,412 1,145,983
Less accumulated depreciation		(244,445)		(212,706)
Fixed assets being depreciated, net		933,364		933,277
	\$	995,144	\$	995,057

Depreciation expense totals \$31,739 and \$28,596 for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Refundable Advance

In May 2020, Safe Embrace received loan proceeds in the amount of \$135,470 under the Paycheck Protection Program (PPP). Established as part of the CARES Act, the PPP provides for uncollateralized loans to qualifying entities in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable if used for qualifying expenses within the covered period. Safe Embrace was notified that the PPP loan was approved for forgiveness in full as of February 24, 2021.

Note 5 - Operating Leases

Safe Embrace entered into a lease agreement for office space in Reno Nevada effective through March 31, 2026, with monthly rent ranging from \$3,230 - \$3,636 and a portion of basic operating costs over the term of the lease. The lease expense totaled \$21,561 and \$14,600 for the years ended June 30, 2022 and 2021, respectively.

Safe Embrace amended its lease agreement effect August 1, 2022 to increase its office space by 1,200 square feet through March 31, 202. The new lease payments range from \$4,503 - \$4,920 and are reflected in the minimum payments listed above.

Future minimum lease payments for the years ended June 30:

2023	\$ 53,268
2024	56,085
2025	57,762
2026	44,280

Note 6 - Volunteers

Safe Embrace's operations are significantly dependent upon the support provided by trained volunteers and Board members. The Organization estimates the value of the services received from its trained volunteers to approximate \$15 per hour. Such volunteers provided more than 1,700 hours of service each year. The value of these services is not reflected in the accompanying financial statements because the services do not meet the criteria for recognition as set forth in Note 1.

Note 7 - Contingency and Subsequent Event

The Organization is a party to litigation involving a dispute initiated by its neighbors regarding alleged improper zoning classification, public notifications, subsequent action by the City of Sparks and Washoe County approving the shelter expansion permits, and violation of recorded deed covenants in connection with the expansion project initiated in 2018. The neighbors are also asserting that the shelter constitutes a private nuisance. Attempts to mediate the complaint have been unsuccessful and Safe Embrace has filed a cross-motion for summary judgement. Safe Embrace intends to vigorously defend its legal position. However, the outcome of the litigation and the effect on future operations cannot be determined at this time and no loss contingencies have been accrued.

In June 2022, a Washoe County Judge ordered Safe Embrace's shelter business license to be revoked by August 15, 2022. Safe Embrace applied for a special use permit on August 8, 2022 and is working with Washoe County to allow for the shelter to be licensed as a 28-bed Group Care Facility. Currently, the shelter is able to operate with 10 available beds, its licensed capacity prior to the expansion. The application for the special use permit includes working with the City of Sparks to connect the facility to the nearby sewer lines. Site improvements will include additional landscaping, updated security systems and an expanded Neighborhood Response Program.

With these licensing restrictions, Safe Embrace is working with other area shelters to provide emergency relief for its shelter residents and continues to operate all other program services at full capacity.



Independent Auditors' 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 Safe Embrace Reno, Nevada

I 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 Safe Embrace, which comprise the statement of financial position as of June 30, 2022, 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 my report thereon dated March 30, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Safe Embrace'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Safe Embrace's internal control. Accordingly, I do not express an opinion on the effectiveness of Safe Embrace'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Safe Embrace's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christian Accounting Network

Reno, Nevada March 30, 2023



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors Safe Embrace Reno, Nevada

Report on Compliance for Each Major Federal Program

I have audited Safe Embrace's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Safe Embrace's major federal programs for the year ended June 30, 2022. Safe Embrace's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Safe Embrace's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Safe Embrace's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Safe Embrace's compliance.

Opinion on Each Major Federal Program

In my opinion, Safe Embrace, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control Over Compliance

Management of Safe Embrace is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Safe Embrace's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Safe Embrace's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Christian Accounting Network

Reno, Nevada March 30, 2023

Safe Embrace Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

Federal Grantor/Program Title/Cluster/Pass-Through	Listing	Pass-Through Identifying Number	Federal Expenditures	Payments to Subrecipients
HO December of Health and Health are Continued				
U.S. Department of Health and Human Services Passed through the State of Nevada				
Department of Health and Human Services				
Division of Child and Family Services				
Family Violence Prevention and				
Services/Domestic Violence Shelter				
and Supportive Services	93.671	T81075200	\$ 114,603	\$ -
MaryLee Allen Promoting Safe				
and Stable Families Programs	93.556	T81075200A	8,253	_
			-,	
Division of Public and Behavioral Health				
Injury Prevention and Control				
Research and State and	93.136	T81075200	20 021	
Community Based Programs	93.136	181075200	30,831	
Total U.S. Department of Health and Human Service	es		153,687	-
U.S. Department of Justice				
Direct Award				
Transitional Housing Assistance for				
Victims of Domestic Violence, Dating				
Violence, Stalking, or Sexual Assault	16.736	n/a	58,746	-
Passed through Washoe County, Nevada				
Second Judicial District Court				
Violence Against Women Formula Grants	16.588	88-0366015	9,971	_
			•	
Passed through the State of Nevada				
Department of Health and Human Services Division of Child and Family Services				
Crime Victim Assistance	16.575	T81075200A	293,992	_
Of the Violan Assistance	10.070	1010/0200/(200,002	
Office of the Attorney General				
Sexual Assault Services Program	16.017	T81075200	25,832	-
Passed through Washoe Legal Services				
Legal Assistance for Victims	16.524	88-0366015	31,203	_
Total U.S. Department of Justice			419,744	
U.S. Department of Housing and Urban Developme	nt (HUD)			
Direct Award				
Continuum of Care Program	14.267	n/a	227,206	-
Deceard through the City of Dana				
Passed through the City of Reno Emergency Solutions Grant Program	14.231	88-0366015	108,963	
Emergency Colutions Chant Flogram	14.231	50-0500015	100,303	-
Passed through the State of Nevada				
Nevada Housing Division				
	14.231	T81075200	208,748	
Total U.S. Department of Housing and Urban Devel	opment (HU	ID)	544,917	
			\$1,118,348	\$ -
			Ψ1,110,040	

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Safe Embrace under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Safe Embrace, it is not intended to and does not present the financial positions, changes in net assets, or cash flows of Safe Embrace.

Note 1 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are reported on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 2 - Noncash Awards

Safe Embrace has not received any federal noncash awards for the year ended June 30, 2022.

Note 3 - Indirect Cost Rate

Safe Embrace has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified No

Significant deficiencies identified not considered to be material

weaknesses None Reported

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major program:

Material weaknesses identified No

Significant deficiency identified not considered to be material

weaknesses

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in

in accordance with Uniform Guidance 2 CFR 200.516 No

Identification of major programs:

Name of Federal Program CFDA Number

Crime Victim Assistance 16.575

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?

Section II - Financial Statement Findings

No findings reported in the current year.

Section III - Federal Awards Findings and Questioned Costs

No findings reported in the current year.