
AUDIT REPORT OF
STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
A NON-PROFIT ORGANIZATION
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

DHHR - Finance

NOV 21 2017

Date Received

LISA K. THORNBURG, CPA

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NOV 31 2017

Date Received

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stop Abusive Family Environments (SAFE), Inc.
Welch, West Virginia 24801

We have audited the accompanying financial statements of Stop Abusive Family Environments (SAFE), Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 audit. We conducted our audit 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. 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 qualified audit opinion.

Basis for Qualified Opinion

During this fiscal year, as well as other fiscal years, the former executive director used the Organization's credit card to make personal and unauthorized purchases, that were not used for the operational activities of the Organization, and these were classified as "supplies" in the Organization's financial statements. The amount of these personal and unauthorized expenses that can be verified is material to the financial statements and have been reclassified in these audited financial statements as "personal and unauthorized expenses". However, there may be additional personal and unauthorized expenses that have not been verified. The effect of any additional such expenses cannot be reasonably determined at this time. The former executive director has been arrested and the investigation by law enforcement is ongoing.

To the Board of Directors
Stop Abusive Family Environments (SAFE), Inc.
Page 2

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Stop Abusive Family Environments (SAFE), Inc. as of June 30, 2015, 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.

Other Matters

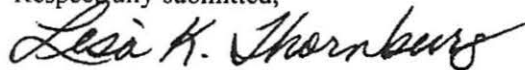
Other Information

Our audit was conducted for the purpose of forming an opinion on the Organization's basic financial statements. The Sworn Statement of Grant Receipts and Expenditures is required by the West Virginia Department of Health and Human Services in order to comply with the provisions of West Virginia Code §12-4-14. It is provided for purposes of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Sworn Statement of Grant Receipts and Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, on our consideration of Stop Abusive Family Environment (SAFE), Inc.'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 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 Stop Abusive Family Environment (SAFE), Inc.'s internal control over financial reporting and compliance.

Respectfully submitted,



Lisa K. Thornburg, CPA

DHHR - Finance

NOV 21 2017

Date Received

October 2, 2017

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 831,206
Housing Development Property	25,500
Prepaid expenses	21,288
Grants receivable	2,895
Loans receivable	<u>394,534</u>

TOTAL CURRENT ASSETS 1,275,423

PROPERTY AND EQUIPMENT, NET 4,752,034

TOTAL ASSETS \$ 6,027,457

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ <u>48,660</u>
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TOTAL CURRENT LIABILITIES 48,660

LONG TERM LIABILITIES

Notes Payable	<u>1,714,071</u>
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TOTAL LONG TERM LIABILITIES 1,714,071

TOTAL LIABILITIES 1,762,731

NET ASSETS

Unrestricted	4,264,726
Temporarily restricted	<u>-</u>

TOTAL NET ASSETS 4,264,726

TOTAL LIABILITIES AND NET ASSETS \$ 6,027,457

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Support:			
Grants and contributions	\$ -	\$ 685,189	\$ 685,189
Total Support	<u>-</u>	<u>685,189</u>	<u>685,189</u>
Revenue:			
Rent	12,401	-	12,401
Loan subsidy	15,456	-	15,456
Interest income	480	-	480
Other income	10,712	-	10,712
Total Revenue	<u>39,049</u>	<u>-</u>	<u>39,049</u>
Net Assets Released from Restriction	<u>685,189</u>	<u>(685,189)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>724,238</u>	<u>-</u>	<u>724,238</u>
 EXPENSES			
Transitional housing	661,351	-	661,351
SAFE Housing and Economic Development	293,220	-	293,220
General and Administrative	122,116	-	122,116
TOTAL EXPENSES	<u>1,076,687</u>	<u>-</u>	<u>1,076,687</u>
CHANGES IN NET ASSETS	<u>(352,449)</u>	<u>-</u>	<u>(352,449)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,617,175</u>	<u>-</u>	<u>4,617,175</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,264,726</u>	<u>\$ -</u>	<u>\$ 4,264,726</u>

The accompanying independent auditor's report and notes to the financial statements are integral parts of this statement.

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Transitional Housing</u>	<u>Safe Housing and Economic Development</u>	<u>General and Administrative</u>	<u>Total</u>
Expenses:				
Salaries	\$ 257,059	\$ 95,076	\$ 33,160	\$ 385,295
Employee benefits	25,096	10,756	-	35,852
Payroll taxes	35,944	13,294	-	49,238
Depreciation	65,632	107,083	14,426	187,141
Maintenance	4,627	24,292	-	28,919
Utilities	-	-	-	-
Housing and client supplies	110,646	-	-	110,646
Interest	-	-	-	-
Contract services	55,547	-	5,626	61,173
Insurance	10,491	4,496	-	14,987
Travel	9,082	2,271	-	11,353
Office expenses and postage	-	-	12,485	12,485
Occupancy	83,620	21,526	-	105,146
Advertising	-	-	-	-
Miscellaneous	3,607	14,426	6,115	24,148
Unauthorized expenses	-	-	50,304	50,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	\$ 661,351	\$ 293,220	\$ 122,116	\$ 1,076,687

The accompanying independent auditor's report and notes to the financial statements are integral parts of this statement.

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ <u>(352,449)</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	187,141
(Increase) decrease in operating assets:	
Grants receivable	(482)
Prepaid expenses	(5,015)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	<u>4,805</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>186,449</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	<u>(1,911)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,911)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(167,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>999,117</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ <u>831,206</u></u>

The accompanying independent auditor's report and notes to the financial statements are integral parts of this statement.

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Stop Abusive Family Environments (SAFE), Inc. is a non-profit organization which provides services and transitional housing facilities for victims of domestic violence in McDowell County and other southern West Virginia counties. The organization also participates in the Community Housing Development Program which provides single family housing to eligible home buyers, and has constructed low income rental units which are subsidized by HUD. It is recognized as a 501(c)(3) tax-exempt organization by the IRS.

B. BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. REVENUE

SAFE receives revenue from federal, state and other grant agencies along with various individual and corporate donations, sale of single family housing, and rent from tenants in the transitional housing facility and HUD housing development known as Starland Heights.

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

D. CASH AND CASH EQUIVALENTS

The Organization considers all cash accounts which are not subject to withdrawal restrictions or penalties including checking, savings, and certificates of deposit as cash and cash equivalents.

E. CONTRIBUTED GOODS AND SERVICES

Contributed goods and services that create or enhance non-financial assets or require specialized skill are recorded as support and expense in the period that the services are performed. No amounts were recorded because these services did not meet the above criteria, and/or could not be reasonably estimated. Contributed goods are recorded as support and expense in the period they are received and used. The amounts of these goods were recorded at the cost of each specific item.

F. PROPERTY AND EQUIPMENT

Expenditures for the acquisition of property and equipment are capitalized at cost. The fair market value of donated property and equipment at the date of the gift is similarly capitalized. Donated property and equipment for which it is impracticable to determine a value is not capitalized. Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the property.

G. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the 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 service benefitted.

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

H. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 as well as the reported amounts of revenues and expenses during the period. Actual results could vary from the estimates that were used.

NOTE 2 - HOUSING DEVELOPMENT PROPERTY

SAFE is involved with a program with the West Virginia Housing Development Fund through HUD-HOMECHDO to develop and sell single family housing units to individuals and families who may not be able to purchase a house by any other means. SAFE had purchased, renovated, or received by donation property for development and/or resale at fair market value of \$25,500 as of June 30, 2015.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 consist of the following:

Transitional Housing:

Land	\$ 500
Land improvements	20,500
Buildings and improvements	2,778,542
Office equipment and furniture	107,071
Vehicles	65,058
Program equipment and furniture	77,992
	3,049,663
Less: accumulated depreciation	1,333,939
	\$ 1,715,724

SAFE Housing and Economic Development Managed:

Land - Kimball Office	\$ 10,000
Land - Starland Heights	357,322
Land Improvements - Starland Heights	435,076
Building - Kimball Office	86,923
Building - Starland Heights	3,555,019
Office furniture and equipment	25,327
	4,469,667
Less: accumulated depreciation	1,433,357
	\$ 3,036,310

Depreciation expense for the year ended June 30, 2015 was \$187,141.

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - NOTES RECEIVABLE AND CONTINGENCIES

One source of revenue for SAFE is the sale of single family housing to families that could not afford their own house by any other means. In regards thereto, SAFE has taken notes, with the first deed of trust, from the purchasers of these units. There are a total of 24 individual notes outstanding. Terms of these notes vary from 1% to 3% and from 15 years to 33 years. Notes receivable at June 30, 2015 amounted to \$394,534. These notes are collectible as follows:

<u>June 30</u>	<u>Amount</u>
2016	\$ 10,714
2017	10,989
2018	11,358
2019	11,058
2020	11,396
Thereafter	<u>339,019</u>
	<u>\$ 394,534</u>

NOTE 5 - LONG-TERM DEBT AND CONTINGENCIES

SAFE has entered into agreements for funds to renovate property to be used for transitional housing. The following funds are considered a non-interest bearing promissory note, secured by certain real property, used for transitional housing. No payment on the notes will be required if the Organization continues to use the property to serve this purpose for no less than 20 years, or converts the property to other agreed upon use. If there is a breach or default in the performance of these agreements, which expire June 30, 2016, the entire unpaid balances shall at once become due in full. Accordingly, revenue will be recognized as debt is forgiven. At June 30, 2015, the balances are as follows:

WVHDF	\$ 878,628
FHLB	120,000
HUD	<u>350,000</u>
	<u>\$ 1,348,628</u>

During the year ended June 30, 2003, the U.S. Department of Agriculture Rural Housing Service loaned SAFE \$347,710 with interest fixed at 6.75%, secured by rental property and land known as Starland Heights, payable over 50 years in monthly payments of \$2,026, including principal and interest. Of the monthly payments, \$738 shall be paid by SAFE and \$1,288 will be applied as a subsidy from the lending agency. The balance at June 30, 2015 was \$319,724.

At June 30, 2015, the loan subsidy amount of \$15,456 reflected on the Statement of Activities consists entirely of the agreement with USDA as mentioned above.

Maturities of all long-term debt are as follows:

<u>June 30</u>	<u>Amount</u>
2016	\$ 1,350,672
2017	2,083
2018	2,228
2019	2,459
2020	2,666
Thereafter	<u>353,963</u>
	<u>\$ 1,714,071</u>

STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, including checking, savings, and certificates of deposits. In the past, the Organization has exceeded federally insured limits for a brief period of time due to short timing differences between receiving large grants and dispensing those funds. SAFE is extremely cautious now about the insured limit and has taken proper measures to reduce the risk. At the year end June 30, 2015, the Organization did not have any account balances that exceeded the federally insured limit.

NOTE 7 - COMPENSATED ABSENCES

In accordance with the Organization's personnel policies, its employees earn vacation leave and sick leave throughout the year. Up to 2 weeks (80 hours) can be carried over at the end of the year. Employees are paid any annual leave that is due them upon termination. As of the end of each fiscal year, all unpaid leave expense is accrued under rules of a vested plan. At June 30, 2015, the balance in unpaid leave was \$32,339.

NOTE 8 - RETIREMENT PLAN

SAFE takes part in a 403(b) pension plan that is available to all full time employees. The Organization contributes 3% of each full time employee's salary to the plan and the employee has the option of making any other contributions. Employees are given the option to cash in, roll over, or leave the money in this fund upon termination. Pension expense for the year ended June 30, 2015, was \$8,383.

NOTE 9 - HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

Due to the rising cost of health insurance and the high employee deductible, as of July 1, 2007, the Organization has adopted an employer funded HRA program to encourage employees to receive preventive and necessary health care. This account will have \$1,000 per year for each full time job position that can be used to meet the first \$1,000 of the \$2,500 deductible, The portion of each employee's unused reimbursement amount available at the end of each plan year is replenished and/or carried forward for use in subsequent plan years. At any time each employee account is limited to \$1,000 whether they use it or not. During the year ended June 30, 2015, \$134 was reimbursed to employees for medical expenses. The plan had a total of 16 participants with the potential liability at June 30, 2015 being \$16,000.

NOTE 10 - UNAUTHORIZED EXPENSES AND EMPLOYEE MISAPPROPRIATION

During the year ended June 30, 2015, the Organization's former executive director misappropriated funds from the general funds of the Organization by charging personal expenses to the Organization's credit card. As a result of the misappropriation of funds, the Organization incurred unauthorized expenses of \$50,304 that have been verified. In addition, there may be other expenses that were unauthorized but were not verified. This misappropriation also occurred in the prior year and in subsequent years prior to being discovered. The former executive director has been arrested and the investigation is ongoing.

NOTE 11 - SUBSEQUENT EVENTS

The Organization's management has evaluated the effect that subsequent events would have on the financial statements through October 2, 2017, which is the date these financial statements were available to be released.

**West Virginia Department of Health & Human Resources
SWORN STATEMENT OF EXPENDITURES**

Grant Number: G150088	Grantee Name: Stop Abusive Family Environments, Inc.		
Grantee FEIN: 550647494	WV OASIS Vendor #: 0000042808	Contact Name: Sandra Addair	
Contact Email Address: sandysbkpg@yahoo.com		Contact Phone: (304) 436-8163	
Grantee Mailing Address: P.O. Box 669, Welch, WV 24801			
Total Amount of Grant Award: \$340,658.00		Grant Period: July 1, 2014-June 30, 2015	

Grant Revenues (received and anticipated)		
Revenue Categories	Comments	Amount
Amount Received		\$340,658.00
Amount Anticipated		
Total Grant Revenues		\$340,658.00

Grant Expenditures (allowable costs expended by the grantee)		
Expenditure Categories	Comments	Amount
Personnel		\$225,375.55
Fringe Benefits		\$50,067.69
Equipment		
Supplies		\$1,429.76
Contractual Costs		\$34,535.14
Construction		
Other		\$29,249.86
Indirect Cost		
Total Grant Expenditures		\$340,658.00

Ending Grant Balance (Revenues - Expenditures) \$0.00

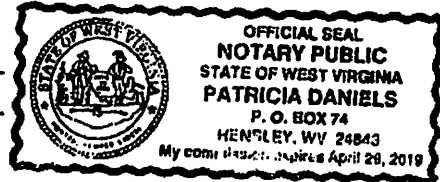
Grant Funds Returned to the DHHR _____

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete and accurate, and that the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal (and/or State) award. I am aware that any false, fictitious or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Authorized Signature: Sandra Addair Date: 9/28/14
 Printed Name and Title: Sandra Addair Executive Director

Taken, sworn and subscribed before me this 28th day of September, 2014.

Notary Public Signature: Patricia Daniels
 My Commission Expires April 31, 2014



Revised May 2015
 JUN 13 2015

Date Received

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**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
Stop Abusive Family Environments (SAFE), Inc.
Welch, West Virginia 24801

We 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 Stop Abusive Family Environments (SAFE), Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2015, 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 October 2, 2017. In that report, our opinion was qualified due to the unknown effect of any additional personal and unauthorized expenses made by the former executive director.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 Organization'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

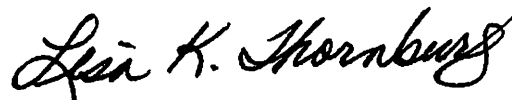
Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Respectfully submitted,



Lisa K. Thornburg, CPA

October 2, 2017

**STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE), INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Unauthorized and Personal Expenses - Processing of Payments
Item #2015-001

Condition:

The Organization's former executive director misappropriated funds for personal use during the year from the general funds of the Organization. She has been arrested and the investigation is ongoing.

Cause:

Controls were not in place to prevent the misappropriation of funds.

Effect:

Due to the diversion of funds, the Organization incurred unauthorized expenses of \$50,304 that have been identified, along with other possible unauthorized expenses that could not be identified. Additional losses were also incurred in the previous year and subsequent years prior to the discovery of the diversion of funds.

Recommendation:

The Organization should implement and follow payment processing and credit card procedures to insure that the Organization's funds are expended only for properly approved and authorized purposes.

Response:

The Organization has implemented internal controls over credit cards and payment processing to insure that payments are made only for properly approved and authorized expenses.