



GRACE HOUSE OF MEMPHIS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023

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GRACE HOUSE OF MEMPHIS, INC.

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

JUNE 30, 2023

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grace House of Memphis, Inc.
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grace House of Memphis, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 our opinion, the financial statements present fairly, in all material respects, the financial position of Grace House of Memphis, Inc. as of June 30, 2023, 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 for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Grace House of Memphis, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Grace House of Memphis, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 Grace House of Memphis, Inc.'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Grace House of Memphis, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance on page 16 is required by the State of Tennessee and is presented for purposes of additional analysis and is 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 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 our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for any other information such as the Roster of Board Members and Executive Director on page 15. The Roster of Board Members and Executive Director have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2024, on our consideration of Grace House of Memphis, 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 solely 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 the effectiveness of Grace House of Memphis, Inc.'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 Grace House of Memphis, Inc.'s internal control over financial reporting and compliance.

Joe Osterfeld, CPA
Columbia, Tennessee
July 29, 2024

GRACE HOUSE OF MEMPHIS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

<u>ASSETS</u>	
Cash	\$198,774
Investments	597,626
Grantor receivable - State of Tennessee	173,025
Total current assets	<u>969,425</u>
Land, building, and equipment	819,573
Accumulated depreciation	(605,622)
Net land, building, and equipment	<u>213,951</u>
Total assets	<u><u>\$1,183,376</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable	\$3,969
Food stamps on hand	2,626
Accrued paid time off	29,952
Accrued payroll expense	32,741
Total current liabilities	<u>69,288</u>
Net assets without donor restrictions	1,114,088
Net assets with donor restrictions	-
Total net assets	<u>1,114,088</u>
Total liabilities and net assets	<u><u>\$1,183,376</u></u>

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

GRACE HOUSE OF MEMPHIS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUE</u>			
Service fees	\$ 2,431	\$ -	\$ 2,431
Rental income	14,150	-	14,150
Federal Awards	-	576,230	576,230
State Grants	-	145,761	145,761
United Way	132,352	-	132,352
Donations	117,971	-	117,971
Special events	30,774	-	30,774
Interest and dividends income	14,311	-	14,311
Gain (loss) in fair value of investments	35,600	-	35,600
Net assets released from restrictions	721,991	(721,991)	-
Total public support and revenue	<u>1,069,580</u>	<u>-</u>	<u>1,069,580</u>
<u>EXPENSES</u>			
Program services	899,357	-	899,357
Support Services	203,012	-	203,012
Total expenses	<u>1,102,369</u>	<u>-</u>	<u>1,102,369</u>
Increase (decrease) in net assets	(32,789)	-	(32,789)
Net assets, beginning	<u>1,146,877</u>	<u>-</u>	<u>1,146,877</u>
Net assets, end of year	<u>\$ 1,114,088</u>	<u>\$ -</u>	<u>\$ 1,114,088</u>

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

GRACE HOUSE OF MEMPHIS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Program Services					Support Services	
	<u>Detox</u>	<u>Rehab</u>	<u>Halfway House</u>	<u>Recovery Residence</u>	<u>309 Bellevue</u>	<u>Management & General</u>	<u>Total</u>
Salaries	\$ 72,138	\$ 288,552	\$ 164,628	\$ 12,250	\$ 46,083	\$ 64,490	\$ 648,141
Payroll taxes & employee benefits	12,011	47,101	30,886	936	3,518	18,426	112,878
Bank charges	-	-	-	-	-	7,625	7,625
Conferences & meetings	2,320	7,480	525	-	-	250	10,575
Depreciation	3,816	13,355	207	-	-	1,832	19,210
Dues, subscriptions, printing	701	2,795	7	-	-	1,866	5,369
Equipment rent	472	2,046	-	-	-	510	3,028
Insurance	2,614	7,589	9,485	-	-	10,498	30,186
Investment commissions	-	-	-	-	-	5,696	5,696
Occupancy: Utilities & maintenance	11,065	38,738	11,285	9,138	18,858	5,500	94,584
Promotional expenditures	-	-	-	-	-	1,504	1,504
Postage & shipping	-	-	-	-	-	421	421
Professional & contract services	3,018	11,107	5,165	904	4,376	28,891	53,461
Special event expenses	-	1,801	-	-	-	9,215	11,016
Supplies & food	3,579	12,930	1,219	272	272	29,028	47,300
Taxes and licenses	4,409	6,873	6,173	-	-	7,238	24,693
Telephone	1,223	5,373	5,034	1,636	2,219	7,198	22,683
Travel	235	940	-	-	-	2,824	3,999
Total expenses	\$ 117,601	\$ 446,680	\$ 234,614	\$ 25,136	\$ 75,326	\$ 203,012	\$ 1,102,369

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

GRACE HOUSE OF MEMPHIS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase (decrease) in net assets	(\$32,789)
Adjustments to reconcile increase in net assets to net cash provided (used) by operations:	
Depreciation	19,210
(Gain) loss in fair market value of investments	(42,079)
(Increase) decrease in:	
State of Tennessee grant receivable	(73,887)
Increase (decrease) in:	
Accounts payable	909
Accrued expenses	(18,190)
Food stamps on hand	(4,878)
Total from operations	<u>(151,704)</u>

INVESTING ACTIVITIES:

Purchase of investments (net)	<u>(2,127)</u>
Total from investing	<u>(2,127)</u>

Increase (decrease) in cash (153,831)

Beginning cash balance 352,605

Ending cash balance \$198,774

Supplemental disclosure: None

The accompanying notes are an integral part of the financial statements

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Grace House of Memphis, Inc. (the Agency), a Tennessee not-for-profit corporation, provides programs and services for the treatment of alcohol and drug dependency to women in the Greater Memphis metropolitan area. The Agency operates a social alcohol and drug detoxification program, a rehabilitation program, a halfway house, and a training program. Supportive services include fund raising, management and general expenses not directly identifiable to any program, but indispensable to these activities and to the Agency's existence. A board of directors governs the Agency.

Basis of Accounting

The financial statements of Grace House of Memphis, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant accounts receivable, accounts payable, and other liabilities.

Basis of Presentation

Financial statement presentation follows US generally accepted accounting principles which require the Agency to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. There were no net assets with donor restrictions at June 30, 2023.

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivables are stated at their net realizable value. It is the opinion of management that all accounts receivable at fiscal year-end are collectible.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are defined as all cash on hand and deposited in FDIC insured bank accounts with an original maturity of three months or less.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Deferred Revenue

Income from service fees are deferred and recognized over the periods to which the service fees relate.

Donated Assets

Marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of the donation.

Donations of Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donor restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Agency records donated services when they create or enhance a non-financial asset or for specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated to their appropriate category of program services or supporting services upon recording vendor payables or direct payment of invoices based upon benefit received. For more general expenses, allocation is based upon natural classifications such as time & effort and square footage utilized.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Fair Values of Financial Instruments

Financial instruments of Agency include cash, short-term trade accounts receivable, and trade accounts payable. Management estimates that the fair value of all financial instruments at fiscal year-end do not differ materially from the carrying values of the financial instruments recorded in the accompanying balance sheet.

Income Tax Status

Grace House of Memphis, Inc. is an organization, which is not considered a private foundation and is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Grace House of Memphis, Inc.'s Form 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2021, 2022 and 2023 are subject to examination by the IRS, generally for 3 years after they were filed. There are no tax examinations currently in process. Management has concluded that the Agency has taken no uncertain tax positions as of June 30, 2023. Therefore, no provision for income taxes has been included in the agency's financial statements.

Planned Major Maintenance Activities

Costs or fair market value for donated items and services for planned major maintenance in excess of \$5,000 are treated as additions to property and equipment and depreciated over their estimated useful lives using the straight-line method. During the current fiscal year, there were no planned major maintenance activities.

Promises to Give

Unconditional promises to give are recognized as revenue or a gain in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of assets and is reflected as an expense in the Statement of Functional Expenses.

With and Without Donor Restrictions Revenue and Support

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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.

NOTE 2 - CASH AND CREDIT RISK

All cash and certificate of deposits of Grace House of Memphis, Inc. are deposited in FDIC insured banks. The Agency did not have deposits exceeding the \$250,000 FDIC deposit insurance coverage.

NOTE 3 - FINANCIAL DEPENDENCE

The Agency is substantially funded, 81.6% of total public support and revenue, by grants and service fee contracts from federal, state, and local government agencies and by annual contributions from United Way. A significant reduction in the level of this support, if this were to occur, may have an effect in the Agency's programs and activities. In addition, the grants prescribe allowable expenditure guidelines with which Agency must comply. The grants are received prospectively, subject to subsequent verification of the incurring of allowable expenditures or provision of qualifying services.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Agency is subject to claims and lawsuits, which arise, primarily in the ordinary course of business. The Agency does not anticipate any material losses with respect to such existing or pending claims and lawsuits at fiscal year-end.

NOTE 5 - EMPLOYEE PENSION PLAN

The Agency adopted a simple IRA retirement plan in March 2002 to which the Agency contributes 3% of the salaries and wages of covered employees. The Agency's pension plan expense was \$1,857 for this plan during the current fiscal year.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 - LAND, BUILDING, AND EQUIPMENT

Useful lives are 5 to 20 years for buildings and improvements, and 3 to 10 years for furniture, appliances and equipment, and 5 years for vehicles. Land, building, and equipment consist of:

Land	\$ 12,066
Building and improvements	669,570
Furniture and fixtures	74,692
Office equipment	43,548
Vehicles	19,697
	<hr/> 819,573
Less: Accumulated depreciation	(605,622)
	<hr/> <u>\$ 213,951</u>

NOTE 7 – FAIR VALUE OF INVESTMENTS

The Agency's investments are reported at fair value in the accompanying statement of net assets available for benefits. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. The Agency defers to the brokers holding its assets, Stephens, Inc., for determining the Agency's valuation policies. Although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 – Inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 – Inputs are unobservable and have the lowest priority. The Agency uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Agency measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 input were not available.

Level 1 Fair Value Measurement

The fair values of money markets, common stocks, certain corporate bonds, and U S Government securities are based on the closing price reported in the active market where the individual securities are traded, when available.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Level 2 Fair Value Measurement

The fair value of certain corporate bonds for which quoted market price are not available are valued using a market approach on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stock are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount. The fair value of the certificates of deposit is based on amortized cost or original cost plus accrued interest.

Level 3 Fair Value Measurement

For those assets with fair value measured using Level 3 inputs, Stephens, Inc. determines the fair value measurement policies and procedures. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurement are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The gain from fair value of investments consists of realized gains of \$7,492 and net unrealized gains of \$28,108 at fiscal year-end which is reported in on the statement of activities as a gain of \$35,600.

The following tables set forth, by level within the fair value hierarchy, the Agency's investments at fair value and cost as of June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Cost</u>
Mutual Funds	\$ 47,222	\$ 47,222	\$ -	\$ -	\$ 49,639
Exchange-Traded Products	538,625	538,625	-	-	432,332
Money Market Funds	11,779	11,779	-	-	11,779
Total	<u>\$ 597,626</u>	<u>\$ 597,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,750</u>

NOTE 8 – OPERATING LEASE

On June 17, 2019, the Agency entered into an operating lease with DEX Imaging for 2 copiers. Lease payments are \$233 for 48 months with an option to purchase the copiers at fair market value at the end of the lease. Equipment rental expense for the year ending June 30, 2023 was \$2,796 and is reported on the statement of activities.

Future minimum payments:

2024	<u>1,398</u>
Total	<u>\$ 1,398</u>

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – TRI-STATE CAPITAL LINE OF CREDIT

On July 7, 2016, the Agency received a line of credit from Tri-State Capital Bank secured by the Agency's brokerage investment account. The maximum that the Agency can borrow on this line of credit is the lesser of \$200,000 or the applicable advance rate on market value of eligible collateral. The applicable advance rates vary depending on the type of investment. There are 17 different types of investments listed in the loan agreement. The following are the applicable rates for the types of investments held by the Agency: 65% on most types of publicly traded stocks and mutual funds, 70% on US government bonds with maturities on more than one year, and 90% on cash equivalents. The loan has a floating rate of interest. The loan's interest rate was 4.52% at fiscal year- end. No balance was due on June 30, 2023.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 198,774
Investments	597,626
Grantor receivables	<u>173,025</u>
Total financial assets	969,425
Less amounts not available to be used within one year	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 969,425</u></u>

NOTE 11 – COVID -19 OUTBREAK

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of corona virus originating in Wuhan, China (the Covid-19 outbreak) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the Covid-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the Covid-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Agency's financial condition, liquidity, and future results of operations.

GRACE HOUSE OF MEMPHIS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the Covid-19 outbreak and the global responses to curb its spread, the Agency is not able to fully estimate the effects of the Covid-19 outbreak on its results of operations, financial condition, or liquidity for the fiscal year 2023.

Although the Agency is not able to estimate the effects of the Covid-19 outbreak, management does not believe they incurred any reduction of income for the current fiscal year.

NOTE 12 - DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 29, 2024, the date which the financial statements were available to be issued. No other material subsequent events have occurred that need to be disclosed.

GRACE HOUSE OF MEMPHIS, INC.
ROSTER OF BOARD MEMBERS AND EXECUTIVE DIRECTOR
JUNE 30, 2023

Board Members:

Melissa Burgess – Board Chair

Sherry Gardner – Vice Chair

John Salajka - Treasurer

Sasha Ennis – Board Secretary

Julie Patterson - Board Member

Angela Quadrani – Board Member

Samantha Wallace – Board Member

Belinda Mandrell - Board Member

Ronald Robinson – Board Member

Executive Director: Karen Morgan

GRACE HOUSE OF MEMPHIS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2023

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Grantor Agency and Program Name</u>	<u>Balance July 1, 2022</u>	<u>Grant Cash Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2023</u>
<u>U.S. Department of Health and Human Services:</u>						
93.959	74085	Passed Through the Tennessee Department of Mental Health & Substance Abuse Services Women's Services	-	7,878	7,878	-
93.959	69861	Adult Continuum of Care	(93,198)	93,198	-	-
93.959	74098	Adult Continuum of Care	-	454,448	537,066	(82,618)
Block Grants for Prevention & Treatment of Substance Abuse			(93,198)	555,524	544,944	(82,618)
96.959	74140	Addictions Recovery Program (ARP) - Covid19	-	10,000	10,000	-
<u>U.S. Department of Agriculture</u>						
10.551		Food Stamps	-	21,286	21,286	-
Total Federal Awards			<u>\$ (93,198)</u>	<u>\$ 586,810</u>	<u>\$ 576,230</u>	<u>\$ (82,618)</u>
 <u>Tennessee Department of Mental Health and Substance Abuse Services</u>						
	69860	Addictions Recovery Program ARP	(5,940)	5,940	-	-
	74140	Addictions Recovery Program ARP	-	53,970	63,505	(9,535)
	74082	Alcohol and Drug Addition Treatment ADAT	-	1,384	1,384	-
	74098	COC - State	-	-	80,872	(80,872)
Total State Financial Assistance			<u>\$ (5,940)</u>	<u>\$ 61,294</u>	<u>\$ 145,761</u>	<u>\$ (90,407)</u>
Total Federal and State Financial Assistance			<u>\$ (99,138)</u>	<u>\$ 648,104</u>	<u>\$ 721,991</u>	<u>\$ (173,025)</u>

Amounts shown in brackets represents money due from the grantor.

The Agency did not elect to use the 10 percent de minimis indirect cost rate.

This schedule is prepared on the same (accrual) basis of accounting as the financial statements.

The Agency has an approved indirect cost allocation plan with the Tennessee Department of Mental Health & Substance Abuse Services.

See auditor's report.

Joe Osterfeld, CPA

Certified Public Accountant

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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
Grace House of Memphis, Inc.
Memphis, Tennessee

We have audited, in accordance with the 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 Grace House of Memphis, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 July 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Grace House of Memphis, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Grace House of Memphis, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Grace House of Memphis, Inc.'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grace House of Memphis, Inc.'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 financial statements. 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*.

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 on 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.

Joe Osterfeld, CPA
Columbia, Tennessee
July 29, 2024

Grace House of Memphis, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Section II - Financial Statement Findings

Current Year Findings: No matters were reported.

Prior Year Findings: No matters were reported.

Grace House of Memphis, Inc.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Financial Statement Findings: No prior year findings

Prior Year Finding Number	Finding Title	Status / Current Year Finding Number
Not Applicable	Not Applicable	Not Applicable