
Transition House, Inc.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

dwg, inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors,
Transition House, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Transition House, Inc. (a not-for-profit 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 referred to above present fairly, in all material respects, the financial position of Transition House, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *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 Transition House, 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 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 Transition House, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

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 GAAS 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, 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 Transition House, 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 Transition House, 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.

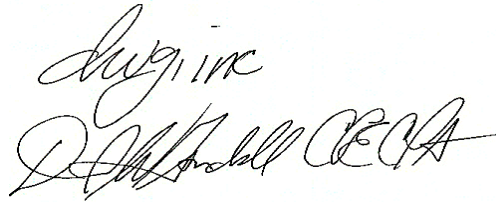
Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements of Transition House, Inc. as a whole. The accompanying schedule of Federal and State Awards is presented for purposes of additional analysis as required by the Oklahoma Department of Mental Health and Substance Abuse Services and is not a required part of

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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 on our consideration of Transition House, 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 Transition House, Inc.'s internal control over financial reporting and compliance.

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dwg, inc.
September 22, 2023

Transition House, Inc.
Statement of Financial Position
As of June 30, 2023

ASSETS

Current Assets

Cash	\$ 178,100
Grants receivable	15,400
Prepaid expense	4,285
Pledges receivable	500
Total Current Assets	198,285

Fixed Assets

Vehicles	21,800
Furniture and equipment	34,303
Accumulated depreciation	(52,434)
Total Fixed Assets	3,669

TOTAL ASSETS	\$ 201,954
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LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Accrued liabilities	\$ 10,642
Current portion of deferred revenue (Note 12)	50,810
Total Current Liabilities	61,452

Long Term Liabilities

Deferred revenue (Note 12)	50,810
Total Long Term Liabilities	50,810

TOTAL LIABILITIES	112,262
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NET ASSETS

Without donor restrictions	89,692
TOTAL NET ASSETS	89,692
TOTAL LIABILITIES AND NET ASSETS	\$ 201,954

Transition House, Inc.
Statement of Activities and Changes in Net Assets
As of June 30, 2023

REVENUES, GAINS AND OTHER SUPPORT

United Way of Norman	\$ 46,000
Oklahoma Department of Mental Health	266,645
American Rescue Plan Act grants (Note 12)	18,380
Other grants	22,700
Contributed nonfinancial assets (Note 11)	5,310
Fund raising events	18,967
Membership dues	21,409
Client fees	11,754
Interest income	594
Miscellaneous revenue	1,033
Total Revenues, Gains and Other Support	412,792

EXPENSES

Program Services	341,627
Supporting Services	80,135
Total Expenses	421,762

CHANGES IN NET ASSETS

(8,970)

BEGINNING NET ASSETS

98,662

ENDING NET ASSETS

\$ 89,692

Transition House, Inc.
Statement of Functional Expenses
As of June 30, 2023

	<u>2023 Supporting Services</u>		<u>2023 Program Services</u>		<u>Total Expense</u>
	Administration and General	Fund Raising	Transitional Living	Community Outreach	
Cable and streaming services	\$ 68	\$ 8	\$ 255	\$ 68	\$ 398
Client program supplies & activities	1,263	149	4,755	1,263	7,429
Contributed nonfinancial assets (Note 12)	903	106	3,398	903	5,310
Depreciation	294	35	1,105	294	1,727
Directors and officers liability insurance	341	40	1,282	341	2,003
Dues and subscriptions	45	5	168	45	263
Employee health insurance	4,618	543	17,387	4,618	27,167
Equipment maintenance and repair	944	111	3,555	944	5,554
Food	302	36	1,139	302	1,779
Gasoline	156	18	588	156	919
General and professional liability insurance	531	63	2,000	531	3,125
Household expenses	492	58	1,853	492	2,896
Legal and accounting	2,108	248	7,935	2,108	12,399
Office supplies	1,121	132	4,218	1,121	6,592
Payroll tax expense	3,279	386	12,344	3,279	19,288
Postage	12	1	45	12	71
Property maintenance and repair	280	33	1,055	280	1,648
Rent	8,687	1,022	32,704	8,687	51,100
Salaries and wages	41,628	4,897	156,716	41,628	244,869
Staff development	235	28	886	235	1,384
Telephone	653	77	2,458	653	3,841
Utilities	2,317	273	8,723	2,317	13,629
Vehicle insurance	403	47	1,517	403	2,370
Vehicle maintenance and repair	271	32	1,020	271	1,594
Workers' compensation insurance	749	88	2,820	749	4,407
Total	\$ 71,700	\$ 8,435	\$ 269,927	\$ 71,700	\$ 421,762

Transition House, Inc.
Statement of Cash Flows
As of June 30, 2023

Cash flows from current activities:

Cash received from United Way Allocation	46,000
Cash received from Oklahoma Department of Mental Health	269,615
Cash received from American Rescue Plan Act grants (Note 12)	120,000
Cash received from other grants	22,700
Cash received from fund raising activities and other	18,967
Cash received from contributions and miscellaneous revenue	1,033
Cash received from client fees	11,754
Cash received from membership dues	21,409
Payments for goods and services	(125,078)
Payments to employees	(286,198)
Net cash used by current activities	<u><u>100,202</u></u>

Beginning cash	77,898
Ending cash	<u><u>\$ 178,100</u></u>

Reconciliation of change in net assets to net cash used by operations:

Change in net assets	\$ (8,970)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,727
Change in assets and liabilities:	
(Increase) decrease in receivables	2,970
Increase (decrease) in current liabilities	53,665
Increase (decrease) in long term liabilities - deferred revenue (Note 12)	50,810
Net cash from current activities	<u><u>\$ 100,202</u></u>

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies

General

This summary of significant accounting policies of The Transition House, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity.

History of the Organization

The Transition House, Inc. (the Organization) is a not-for-profit Oklahoma corporation, which has been granted tax-exempt status under Section 501(C)(3) of the Internal Revenue Code and is not classified by the Internal Revenue Service as a private foundation.

The mission of the Organization is to provide a transitional living program for adult mental health consumers. Transition House offers a support system for the individual moving from inpatient treatment to independent community living. The goals of Transition House are to assist those consumers in their return to the community as active, independent citizens and thereby reduce the rate of re-hospitalization. The Community Outreach Program expands this ongoing service to the entire community by providing to those mental health consumers not in the Transitional Living Program support and socialization, apart from the traditional clinical settings.

Basis of Accounting

The Organization's books are kept on a cash receipts and disbursements basis during the year. At year-end, the books are converted to the accrual basis.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASU 2016-14. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are currently available for operating purposes at the discretion of the Organization's Board for use for its associated programs, for general expenditure and for investment in property and equipment. Support that is restricted by the grantor or donor is reported as increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Net assets with donor restrictions include assets related to gifts with explicit donor-related restrictions that have not been met as to the specified purpose or expiration of the specified periods of time.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could vary from those estimates.

Cash and Cash Equivalents

For purposes of preparing the statement of cash flows, cash includes an interest-bearing checking account.

Fixed Assets

Fixed assets or property and equipment are reported at cost. Donated property is recorded at its fair market value at the time of the donation. Costs of maintenance and repairs are charged to expense while costs of significant renewals and betterments are capitalized. Upon disposition or retirement of equipment the cost and related accumulated depreciation is removed from the accounts and the gain or loss, if any, is credited or charged to operations.

For financial reporting purposes assets are depreciated by the straight-line method over various estimated useful lives as follows:

Computer Equipment	5 years
Equipment and furniture	7 years

During the year ended June 30, 2023, the Organization incurred \$1,727 in depreciation expense.

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions, Grants and Promises to Receive

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization has adopted ACS 958-605, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as net assets with donor restrictions or as net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by the grantor or donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been reflected in the statements for these donated services because the criteria for recognition under ASC 958-605 have not been satisfied.

Compensated Absences

Employees of the Organization are entitled to paid vacations and medical leave, depending on job classification, length of service, and other factors. Accrued vacation, which is paid on termination, is accrued at year-end. The liability as of June 30, 2023 is \$10,391.

Income Taxes

Transition House, Inc. has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. No income tax is payable by the Organization at either the federal or state level unless the income is unrelated to its exempt purpose. The Organization had no unrelated business income during the fiscal year. The Organization is required to file annual informational returns with the Internal Revenue Service and the Oklahoma Tax Commission. The informational returns are filed after completion of the annual audit. Tax returns for years ended June 30, 2022, 2021 and 2020 are subject to review by the taxing authorities.

Note 2 - Grants and Contracts Receivable

A significant portion of the Organization's support is derived from a grant from the Oklahoma Department of Mental Health and Substance Abuse Services. This grant was approved in the amount of \$220,000 for the contract period July 1, 2022 through June 30, 2023 and is renewable annually.

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 3 – Fixed Assets

A summary of the Organization’s fixed asset activity is listed below:

	<u>6/30/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2023</u>
Vehicles	\$ 21,800	\$ -	\$ -	\$ 21,800
Furniture and equipment	34,303	-	-	34,303
Total fixed assets	56,103	-	-	56,103
Accumulated depreciation	(50,707)	(1,727)	-	(52,434)
Net Capital Assets	\$ 5,396	\$ (1,727)	\$ -	\$ 3,669

Note 4 – Fund Raising Events

Fund raising events were as follows:

June Bug Jam Fund Raising

Revenue	\$ 20,353
Direct Expenses	(1,386)
Net Fund Raising	<u>\$ 18,967</u>

Note 5 – Cash and Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the amounts shown in the statement of cash flows:

Without donor restrictions	\$ 178,100
With donor restrictions	-
Total cash and cash equivalents	<u>\$ 178,100</u>

Note 6 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is with donor or other restrictions limiting their use, within year of the statement of financial position, comprise the following at June30, 2023:

Financial assets available to meet the cash needs for general expenditures within one year	\$ 178,100
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Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 7 – Rent

The Organization leases its office space and a drop-in center on an annual basis, with an annual lease renewal agreement. Rent expenses for these facilities in 2023 were \$19,100. In addition, four residential units with a combined capacity for twelve people are leased for use by Transition House clients. Rent expenses associated with these units were \$32,000.

Note 8 –Employee Benefit Plan

The Organization sponsors a Section 403(b) salary reduction plan that covers all full-time employees who are at least 21 years old and have completed one year of service. Employees may contribute up to \$15,000. The Organization makes no contribution to the plan.

Note 9 – Functional Expenses

Expenses by function have been allocated among program and supporting services, administration and general and fund-raising classifications on the basis of estimates made by the Organization's management.

Note 10 – Adoption of FASB Accounting Standards Update

The following pronouncements will be effective in the future:

Accounting Standards Update (ASU) No. 2021-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (September 2021, effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The ASU should be applied on a retrospective basis.)

Note 11 – Contributed Nonfinancial Assets

For the year ended June 30, 2023, contribution of nonfinancial assets recognized within the statement of activities included 400 pairs of Bombas socks, to be distributed to clients as needed. Transition House, Inc. estimated the fair market value using the basis of retail purchase of 2 pairs of socks for \$26.55. Distribution to 200 clients resulted in recognition of \$5,310 as contributed nonfinancial asset revenue in the statement of activities.

Transition House, Inc.
Notes to the Financial Statements
June 30, 2023

Note 12 – Deferred Revenue

February 2, 2023, the Organization received a \$70,000 grant from the City of Norman as a sub-recipient of the American Rescue Plan Act. March 22, 2023 the Organization received a \$50,000 grant from the American Rescue Plan Act. Terms of the awarded grants state the Organization has from January 1, 2023 to June 30, 2025 to use the grants for operational expenses. The following schedule provides grants received, grant revenue recognized and grant revenue deferred:

Current Year Grant Revenue Recognized:

Date Received	Amount	Recognized	Deferred Available
2/2/2023	\$ 70,000	\$ 8,380	\$ 61,620
3/22/2023	50,000	10,000	40,000
Total 2023	<u>120,000</u>	<u>18,380</u>	<u>101,620</u>

Future Deferred Grant Revenue Available:

2024		50,810	50,810
2025		50,810	-
Total	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ -</u>

Note 13 – Management’s Review

Management performed an evaluation of the organization’s activity through the audit report date and has concluded that there are no significant subsequent events requiring disclosure through that date.

Note 14 – Subsequent Events

April 20, 2023, Board members voted to place \$40,000 from general funds into a reserve fund account in the next fiscal year beginning July 1, 2023. On July 1, 2023 \$40,000 was transferred from general funds into a reserve fund account and recorded as board - designated net assets without donor restrictions. The reserve fund was established as an operating reserve with the objective of setting funds aside to be utilized in the event of financial adversity.

**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**

Independent Auditor's Report

To the Board of Directors
Transition House, Inc.

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Transition House, Inc. (a nonprofit organization), which comprise the statement of financial position on 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 September 22, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Transition House, Inc.'s internal control over financial reporting 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 Transition House, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Transition House, Inc.'s internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to

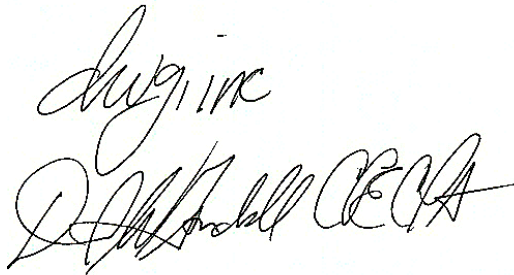
identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Transition House, 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 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*.

Purpose of this Report

The purpose of this 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 the Organization's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows two handwritten signatures. The top signature is in cursive and reads "dwg, inc.". Below it is a larger, more complex cursive signature that appears to be "D. J. [unclear] CPA".

dwg, inc.
September 22, 2023

**Transition House Inc.
Schedule of State Awards
For the Year Ended June 30, 2023**

Grantor Department/Program Title	State or Pass-Through Contract Number	Contract Period	Contract Amount	2023 Support Recognized	2023 Award Expenditures
State Grantor:					
Oklahoma Department of Mental Health and Substance:					
Abuse Services:	3B09SM010042	07/01/2022 - 06/30/2023	\$ 220,000	\$ 216,645	\$ 216,645
Transitional Living Services		07/01/2022 - 06/30/2023	50,000	50,000	50,000
Total Federal and State			<u>\$ 270,000</u>	<u>\$ 266,645</u>	<u>\$ 266,645</u>

Note 1:

Basis of Presentation:

The above schedule of federal and state awards is presented on the accrual basis of accounting.