

SELAH FREEDOM, INC. AND SUBSIDIARIES
SARASOTA, FLORIDA
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

CONTENTS

	PAGE
Independent Auditors' Report	1
Basic Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information:	
Schedule of Expenditures of Federal Awards and State Financial Assistance	13
Other Reports and Schedules:	
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 <i>Government Auditing Standards</i>	14
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General	16
Schedule of Findings and Questioned Costs	19
Summary Schedule of Prior Auditing Findings	24
Management Letter	25

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries
Sarasota, Florida

We have audited the accompanying consolidated financial statements of Selah Freedom, Inc. and subsidiaries (the "Organization") (a non-profit corporation), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Selah Freedom, Inc. and subsidiaries as of December 31, 2018, and the changes in their net assets and their 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 21, 2019, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.



Tampa, Florida
October 21, 2019

SELAH FREEDOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 246,914
Accounts receivable	383,933
Prepaid expenses and other current assets	49,087
Related party receivable	8,901
Total current assets	<u>688,835</u>

Property and Equipment, net	2,826,109
------------------------------------	-----------

Other Assets	<u>8,690</u>
---------------------	--------------

Total Assets	<u><u>\$ 3,523,634</u></u>
---------------------	----------------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Current maturities of long-term debt	\$ 229,673
Accounts payable	265,352
Accrued payroll	57,931
Total current liabilities	<u>552,956</u>

Long-Term Debt, less current maturities	<u>605,730</u>
--	----------------

Total Liabilities	1,158,686
--------------------------	-----------

Net Assets Without Donor Restrictions	<u>2,364,948</u>
--	------------------

Total Liabilities and Net Assets	<u><u>\$ 3,523,634</u></u>
---	----------------------------

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

**SELAH FREEDOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Changes in Net Assets Without Donor Restrictions:

Support and revenues:	
Contributions	\$ 1,372,906
Grants and contracts	2,694,514
Special events	406,018
Less: Costs of direct benefits to donors	(118,328)
Merchandise sales	70,833
Other income	13,337
Total support and revenues	<u>4,439,280</u>
Expenses:	
Program services	<u>4,121,966</u>
Supporting services -	
General and administrative	311,931
Fundraising	110,216
Total supporting services	<u>422,147</u>
Total expenses	<u>4,544,113</u>
Change in Net Assets	(104,833)
Net Assets at Beginning of Year	<u>2,469,781</u>
Net Assets at End of Year	<u><u>\$ 2,364,948</u></u>

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

SELAH FREEDOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and legal fees	\$ 43,592	\$ 27,440	\$ 2,616	\$ 73,648
Advertising and promotion	105,594	8,213	3,520	117,327
Auto and local travel expenses	113,172	2,333	1,167	116,672
Bank fees	-	-	3,076	3,076
Client services	365,790	-	-	365,790
Continuing education	3,922	305	131	4,358
Depreciation and amortization	91,989	-	-	91,989
Dues and subscriptions	2,351	5,487	-	7,838
Employee wages	1,870,742	145,502	62,358	2,078,602
Facilities and equipment	294,480	-	-	294,480
General supplies, training and awareness	57,641	-	-	57,641
Health and dental insurance	198,475	15,437	6,616	220,528
Insurance	18,715	1,456	624	20,795
Interest expense	2,095	41,388	70	43,553
Loss on disposal of property and equipment	7,171	557	239	7,967
Officer wages	195,040	15,170	6,501	216,711
Other contract services	231,721	7,514	6,703	245,938
Other personnel costs	28,470	2,214	949	31,633
Payroll taxes	160,423	12,477	5,347	178,247
Postage and mailing	9,010	700	300	10,010
Printing and copying	25,239	1,963	841	28,043
Software subscriptions	21,795	2,422	-	24,217
Supplies and other expenses	22,696	1,765	763	25,224
Taxes, permits and licenses	13,111	1,020	437	14,568
Telephone and internet	36,453	2,835	1,215	40,503
Travel and meeting expenses	165,202	12,849	5,507	183,558
Web site hosting and maintenance	1,476	115	49	1,640
Workers compensation insurance	35,601	2,769	1,187	39,557
	<u>\$ 4,121,966</u>	<u>\$ 311,931</u>	<u>\$ 110,216</u>	<u>\$ 4,544,113</u>

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

SELAH FREEDOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:	
Change in net assets	\$ (104,833)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	87,808
Loss on disposal of property and equipment	7,967
Amortization of financing costs	4,181
Changes in:	
Accounts receivable	(230,950)
Inventory	35,500
Prepaid expenses and other current assets	33,123
Other assets	320
Accounts payable	232,422
Accrued payroll	(46,476)
Refundable advances	(110,160)
Net cash used in operating activities	<u>(91,098)</u>
Cash Flows From Investing Activities:	
Loans to related party	3,125
Purchases of property and equipment	<u>(1,218,141)</u>
Net cash used in investing activities	<u>(1,215,016)</u>
Cash Flows From Financing Activities:	
Repayment of long-term debt	(59,250)
Financing costs	<u>(10,103)</u>
Net cash used in financing activities	<u>(69,353)</u>
Net Decrease in Cash and Cash Equivalents	(1,375,467)
Cash and Cash Equivalents at Beginning of Year	<u>1,622,381</u>
Cash and Cash Equivalents at End of Year	<u>\$ 246,914</u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 43,553</u>
Supplemental Schedule of Noncash Investing and Financing Activities:	
Long-term debt incurred for purchase of property and equipment	<u>\$ 115,414</u>

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

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Selah Freedom, Inc. is a not-for-profit corporation that confronts the issue of sex trafficking and exploitation through advocacy, training and restorative services. The Organization provides a twelve-month residential program that allows restoration and transition to independent living for victims of sex trafficking; community support groups for victims recovering from sexual abuse and co-dependency; and mentorship for survivors through ongoing counseling, education, career placement and life skills.

Principles of Consolidation:

The consolidated financial statements of Selah Freedom, Inc. and subsidiaries include the accounts of two wholly-owned subsidiaries: MELW, LLC and MLE Florida, LLC (collectively, the "Organization"). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation:

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.
- With Donor Restrictions - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization or by the passage of time.

Use of Estimates:

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions:

The Organization records contributions received as with or without restrictions depending on the existence and/or nature of any donor restrictions. Non-cash contributions are recorded at fair market value at the time of donation.

In-Kind Donations:

Significant inventory, property and equipment are donated to the Organization by various individuals and organizations. Donated inventory, property and equipment of \$46,611 for the year ended December 31, 2018, were recorded at fair value at the date of donation, and have been included in revenue and expenses, or capitalized where applicable, in the period received.

Cash Equivalents:

The Organization considers all highly liquid investment instruments with original maturities of three months or less as cash equivalents.

Accounts Receivable:

The Organization bills for program services provided to clients, and the Organization is reimbursed by its funding sources under various grants and contracts. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes none of the accounts receivable at December 31, 2018 are deemed to be uncollectible. Therefore, no provision for uncollectible accounts has been made in the accompanying consolidated financial statements.

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment:

Property and equipment are stated at cost. All acquisitions of property and equipment in excess of \$500 are capitalized. Disbursements for repairs and maintenance are charged to expense. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 years
Software	3 years

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

Refundable Advances:

Refundable advances represent grant monies received for which performance has not yet occurred and contributions received for special events that have not yet occurred. These amounts are potentially refundable should the Organization default on the arrangements. Revenue is recognized in the statement of activities upon performance of services or completion of each event.

Financing Costs:

Financing costs are reported as a deduction from the carrying amount of the debt and amortized to interest expense on a straight-line basis over the term of the related debt. Amortization of financing costs was \$4,181 for the year ended December 31, 2018. Accumulated amortization was \$3,003 at December 31, 2018.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses:

The direct costs of providing the Organization's various program and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated are included in the consolidated statement of functional expenses, and are allocated on the basis of estimates of time and effort.

Advertising Costs:

The Organization expenses all advertising costs as incurred. Advertising expense for the year ended December 31, 2018 was \$117,327.

New Accounting Pronouncement:

During 2018, the Organization implemented ASU 2016-14, *Not-For-Profit Entities-Presentation of Financial Statement of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 requires not-for-profit entities to present on the statement of financial position amounts for two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) rather than the three classes previously required. The adoption of this standard did not materially impact the Organization's financial position, results of operations or cash flows.

Subsequent Events:

Management has evaluated subsequent events through October 21, 2019, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 246,914
Accounts receivable	<u>383,933</u>
	<u>\$ 630,847</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 308,944
Buildings and improvements	2,286,398
Furniture and equipment	180,047
Vehicles	190,950
Software	1,820
	<u>2,968,159</u>
Less accumulated depreciation	<u>142,050</u>
Property and equipment, net	<u>\$ 2,826,109</u>

Depreciation expense was \$87,808 for the year ended December 31, 2018.

NOTE 4 - LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with a financial institution. The line of credit has a maturity date of February 2021 and accrues interest at Wall Street Journal Prime plus 1.0% (6.5% as of December 31, 2018). The line of credit is secured by the Company's deposits with the financial institution and certain real property. There was no balance outstanding on the line of credit at December 31, 2018.

NOTE 5 - LONG-TERM DEBT

Long-term debt is summarized as follows:

Notes payable to bank and finance companies bearing interest up to 10.84%, secured by real property and vehicles, maturities through October 2027	\$ 842,503
Less unamortized financing costs	<u>7,100</u>
Long-term debt, less unamortized financing costs	835,403
Less current maturities	<u>229,673</u>
Long-term debt, less current maturities	<u>\$ 605,730</u>

SELAH FREEDOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 - LONG-TERM DEBT (Continued)

Scheduled maturities of long-term debt are as follows:

2019	\$ 229,673
2020	37,407
2021	37,235
2022	35,999
2023	32,174
Thereafter	<u>470,015</u>
	<u>\$ 842,503</u>

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Concentration - Major Funding Sources:

The Organization's funding source base consists of a diverse mix of governmental and other corporate entities. At December 31, 2018, amounts due from two major funding sources comprised 92% of total accounts receivable.

Operating Lease:

The Organization has continuing operating leases involving vehicles and facilities. Lease expense for the year ended December 31, 2018 totaled \$119,631. There are no future minimum lease payments.

Employment Agreement:

The President of the Organization is employed "at will". The President or the Organization can terminate employment at any time and for any reason whatsoever, with or without cause or advance notice. However, if the President is terminated for any reason other than for cause or misconduct, she will receive all wages earned through the time of her termination, along with one month's severance pay for each year she was employed by the Organization, not to exceed twenty-four months. At December 31, 2018, the Organization had no plans to terminate the President.

NOTE 7 - RELATED PARTIES

At December 31, 2018, the Organization had an unsecured receivable due from the Organization's President in the amount of \$8,901.

SUPPLEMENTARY INFORMATION

SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018

<u>Federal/State Grantor; Pass-through Grantor; Program/Project Title</u>	<u>CFDA/CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>FEDERAL PROGRAM:</u>			
<u>U.S. Department of Justice</u>			
Passed through State of Florida Department of Legal Affairs Office of the Attorney General			
Crime Victim Assistance	16.575	VOCA-2017-00470	710,516
Crime Victim Assistance	16.575	VOCA-2018-00325	249,453
Total Expenditures of Federal Awards			\$ 959,969
<u>STATE PROJECT:</u>			
<u>Corporation for National and Community Service</u>			
Department of Legal Affairs Office of the Attorney General			
Selah Freedom, Inc.	41.022	Grant No. K04525	373,537
Selah Freedom, Inc.	41.022	Grant No. K04529	415,257
Selah Freedom, Inc.	41.022	Grant No. K04291	632,705
Total Expenditures of State Financial Assistance			\$ 1,421,499

NOTE 1 - BASIS OF ACCOUNTING

This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE 2 - INDIRECT COST RATE

Selah Freedom does not have an indirect cost agreement nor use the 10% de minimis indirect cost rate.

OTHER REPORTS AND SCHEDULES

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
Selah Freedom, Inc. and Subsidiaries

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 consolidated financial statements of Selah Freedom, Inc. and subsidiaries (the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, 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 consolidated 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 consolidated financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2018-001 and 2018-002.

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries

A *significant deficiency* is a deficiency, or 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. We consider the deficiency described as 2017-001 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

Management's Responses to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on them.

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.



Tampa, Florida
October 21, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Selah Freedom, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program and State Project

We have audited Selah Freedom, Inc. and subsidiaries (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Executive Office of the Governor's State Projects Compliance Supplement* that could have a direct and material effect on the Organization's major federal program or state project for the year ended December 31, 2018. The Organization's major federal program and state project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program and state project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance") and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion of Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with these types of requirements that could have a direct and material effect on the major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a material weakness.

The Organization's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida
October 21, 2019

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Selah Freedom, Inc. and Subsidiaries.
2. Significant deficiencies and material weaknesses relating to the audit of the consolidated financial statements were reported in the 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*.
3. No instances of noncompliance material to the consolidated financial statements of Selah Freedom, Inc. and Subsidiaries were disclosed during the audit.
4. Significant deficiencies and material weaknesses in internal control over major federal award programs and state projects were reported in the Independent Auditor's Report on Compliance for Each Major Program and State Projects and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major federal award program and state project for Selah Freedom, Inc. and subsidiaries expresses an unmodified opinion.
6. Findings relative to the major federal award program and state project for Selah Freedom, Inc. and Subsidiaries that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General are reported in this schedule.
7. The federal program and state project tested as a major were:

Federal Program	Federal CFDA No.
Crime Victim Assistance	16.575
State Project	State CSFA No.
Selah Freedom, Inc.	41.022
8. The threshold for distinguishing Types A and B programs and projects was \$750,000.
9. Selah Freedom, Inc. and Subsidiaries was not determined to be a low-risk auditee.

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding Number 2018-001 - Documentation and Approval of Expenses

Condition: During testing of Program and General and Administrative expenses we noted a lack of proper documentation for various expenses selected for testing.

We selected two items to test the Organization's implementation of procedures and internal controls over cash disbursements. We noted the Organization could not provide proof of payment clearing on the bank statement for one item. Further, no supporting documentation could be located for the other item.

In addition, we tested one item each from Fuel and Mileage, Travel and Lodging, and Meals and Entertainment accounts to ensure proper procedures and internal controls had been implemented. The supporting invoices could not be located for any of the three items and therefore we could not determine if the expenses were properly classified. Further, we could not trace the transactions through to the bank statement to ensure the expenditure was properly paid. While testing Fuel Mileage, the mileage log could not be located to evidence approval, recalculated mileage, or agreement to the expensed amount.

We selected expense accounts totaling \$325,938, from which we tested \$152,834 (47% of total account balance) for testing. From this sample, \$9,800 (6%) of supporting documentation could not be located. The extrapolated amount of unsupported expenditures based on this testing was \$20,900 (3%).

Criteria: Fundamental to good internal control over compliance is to institute and comply with strict documentation policies to ensure propriety of financial data. This includes keeping appropriate documentation to support the recording and approval of expenditures. Proper documentation and review ensure that purchases are coded properly, allowable, and necessary for the program.

Effect of Condition: The lack of implementation of procedures and internal controls related to expense documentation and approval could lead to materially unsubstantiated expenses. The effects of the lack of documentation could result in materially misstated financial statements, potentially reducing the Organization's effectiveness and ability to accomplish its mission.

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

**Finding Number 2018-001 - Documentation and Approval of Expenses
(Continued)**

Recommendation: The finance department should adhere to the internal control policies in relation to the proper maintenance and retrieval of accounting records. We recommend that all accounting records subject to review by the grantor agencies or external audit be maintained by the finance department. We recommend that purchase requisitions and expense reimbursement forms be prepared with sufficient detail to make the above determinations. We recommend that management implement and monitor the invoices before checks are prepared. We further recommend the Organization develop and implement internal controls within the finance department to ensure proper documentation and approval of expenses.

Management's Corrective Action Plan:

Selah Freedom acknowledges the issue(s) commented on here by the Auditor and, as an organization, has already begun to improve its internal controls of accounting records. A centralized location has been established where all records, support, and documentation of every single financial transaction or activity will be kept and maintained. Further, processes and procedures will be documented and utilized that will allow the organization to completely adhere to compliance expectations of proper documentation, approval, and support of financial activity.

The organization over its lifetime has experienced rapid growth which it knew caused problems with compliance issues, and measures were taken during 2018 to proactively address the issues. Therefore in 2018, the organization initiated the process of an internal restructuring and wholesale turnover in its accounting staff because they knew there were gaps in process and lack of proper documentation as noted by the auditors. The reorganization took nearly a year to finalize, but at this point in 2019, Selah Freedom is on track and has set in place its accounting team that is tasked with maintaining the stipulated processes and procedures that will enable the organization to adhere to 100% compliance of expected internal controls of its operations and financial activities.

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM AND STATE PROJECT

Finding Number 2018-002 - Procedures and Internal Controls

Condition: During our testing of internal controls relevant to the federal program and state project, we noted the Organization was lacking documentation of proper procedures and internal controls in relation to all applicable compliance requirements necessary for the program. We were unable to test internal controls in place during 2018 as the employee charged with administering the federal program and state project was no longer with the Organization and no documentation was kept to support the design, implementation or monitoring of internal controls that may have been in place.

Criteria: Fundamental to good internal control over compliance is to institute and comply with strict documentation policies to ensure propriety of financial data. This includes keeping appropriate documentation to support the recording and approval of expenditures. Proper documentation and review ensure that purchases are coded properly, allowable, and necessary for the program.

Effect of Condition: The lack of implementation of procedures and internal controls related to expense documentation and approval could lead to materially unsubstantiated expenses. The effects of the lack of documentation could result in materially misstated financial statements, potentially reducing the Organization's effectiveness and ability to accomplish its mission.

Recommendation: We recommend the Organization develop, implement, and document proper procedures and internal controls over cash receipts, cash disbursements, payroll, and grant administration. Further, we recommend the Organization reconcile the grant report submissions to the general ledger monthly to ensure proper reporting of expenditures for each period.

Management's Corrective Action Plan:

Selah Freedom acknowledges the issue(s) commented on here by the Auditor and, as an organization, is in the process of establishing, implementing and maintaining a cohesive set of processes and procedures. The processes and procedures are structured to enable good internal controls, facilitate a system of documentation and approval of financial activities, and fit into the organization's operations. The processes & procedures are all encompassing including, but not limited to, cash receipts, cash disbursements, payroll and grant administration. As of today's date, and this response, the organization is implementing a tracking process in the accounting system that identifies applicable governmental grant(s) for any and all expenditures.

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM AND STATE PROJECT (Continued)

Finding Number 2018-0002 - Procedures and Internal Controls (Continued)

Management's Corrective Action Plan (Continued):

The organization over its lifetime has experienced rapid growth which it knew caused problems with compliance issues, and measures were taken during 2018 to proactively address the issues. Therefore in 2018, the organization initiated the process of an internal restructuring and wholesale turnover in its accounting staff because they knew there were gaps in process and lack of proper documentation as noted by the auditors. The reorganization took nearly a year to finalize, but at this point in 2019, Selah Freedom is on track and has set in place its accounting team that is tasked with maintaining the stipulated processes and procedures that will enable the organization to adhere to 100% compliance of expected internal controls of its operations and financial activities.

**SELAH FREEDOM, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018**

A. FINANCIAL STATEMENT AUDIT

The following findings were reported as significant deficiencies in the audit of the consolidated financial statements for the year ended December 31, 2017.

Finding Number 2017-001 - Grant Revenue

During our testing of grant revenue, we noted that the November and December 2017 VOCA expense reimbursements received in January 2018 were not properly accrued as revenue. In addition, we noted that advance payments received under the State of Florida general revenue grant exceeded grant expenditures, and a portion of the revenue was not properly deferred. Grant revenues should only be recognized to the extent of actual expenditures incurred. The Organization should accrue or defer grant revenues as needed to ensure that grant revenues equal grant expenditures.

Status

During the 2018 audit, we noted that deferred grant revenues had been recorded, however, grant expenditures had exceeded funds received, therefore there should have been no deferred revenue balance remaining at year-end. In addition, amounts should have been accrued as receivables for the portion of reimbursable grant expenditures not yet received as of December 31, 2018.

Management's Corrective Action Plan

Corrective action will be to ensure that all VOCA expense reimbursements received after the incurrence of the expense will be accrued as revenue in the period to which the expenses pertain. Further, and with regard to the General Revenue Grant from the State of Florida, steps will be taken to ensure that Grant Administration will include a continuous review to assure that grant revenues are recognized to the extent of expenses, with all received advance payments exceeding expenditures deferred until earned.

Finding Number 2017-002 - Donations Receivable

During our testing of receivables, we noted that certain contributions received in January 2018 were accrued as donations receivable at year-end. These contributions did not meet the criteria to be recognized as pledges receivable. The Organization should not accrue donations receivable unless sufficient documentation exists to demonstrate that the pledges were made prior to year-end.

Status

Corrective action was taken during 2018.

B. MAJOR FEDERAL AWARDS PROGRAM AND STATE PROJECT

There was not an audit conducted in the prior year pursuant to the Uniform Guidance or Chapter 16.650, Rules of the Auditor General.

MANAGEMENT LETTER

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries
Sarasota, Florida

Report on the Financial Statements

We have audited the consolidated financial statements of Selah Freedom, Inc. and subsidiaries (the "Organization"), as of and for the fiscal year ended December 31, 2018, and have issued our report thereon dated October 21, 2018.

Auditor's Responsibility

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"); and Chapter 10.650, Rules of the Auditor General.

Other Reporting Requirements

We have issued our 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* and Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires that we communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted several instances where certain operating expenses were reported twice as expenditures under the state project. The actual amount of duplicates noted in our testing was \$2,477. When extrapolated to the entire population of operating expenses, the estimated error was calculated to be \$5,357.

To the Board of Directors of
Selah Freedom, Inc. and Subsidiaries

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Tampa, Florida
October 21, 2019