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**Transition House, Inc.**

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**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

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**dwg, inc.**

**1912 N. Drexel Blvd.  
Oklahoma City, OK 73107**

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***dwg, inc. Certified Public Accountant and Consultant***

**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors,  
Transition House, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of activities of Transition House, Inc. (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

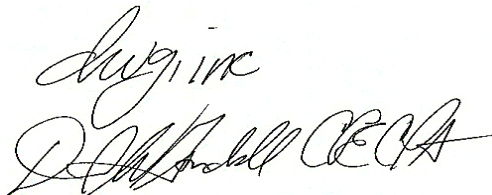
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Transition House, Inc. as of June 30, 2017, and the changes in its net assets, its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

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 the basic 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 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 October 16, 2017 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.  
October 16, 2017

**Transition House, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2017**

**ASSETS**

**Current Assets**

Cash	\$	40,349
Grants Receivable		13,145
Prepaid Expense		7,348
Pledges Receivable		1,850
<b>Total Current Assets</b>		<b>62,692</b>

**Fixed Assets**

Vehicles		21,800
Furniture and Equipment		58,749
Accumulated Depreciation		(72,118)
<b>Total Fixed Assets</b>		<b>8,431</b>

**TOTAL ASSETS** \$ 71,123

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

**Current Liabilities**

Accrued Liabilities	\$	7,487
Current Portion of Note Payable		1,546
Deferred revenue		5,038
<b>Total Current Liabilities</b>		<b>14,071</b>

**Long Term Liabilities**

Note Payable		5,853
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**TOTAL LIABILITIES** **19,924**

**NET ASSETS**

Unrestricted net assets		51,199
<b>TOTAL NET ASSETS</b>		<b>51,199</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>71,123</b>

**Transition House, Inc.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2017**

**REVENUES, GAINS AND OTHER SUPPORT**

United Way of Norman	\$ 49,500
Oklahoma Department of Mental Health	219,395
Other Grants	19,662
Contributions	1,260
Fund Raising Events	10,596
Membership Dues	18,598
Client Fees	6,186
Interest Income	326
Other Revenue	3,715
<b>Total Revenues, Gains and Other Support</b>	<b>329,238</b>

**EXPENSES**

Program Services	275,428
Fund Raising Services	6,801
Supporting Services	57,806
<b>Total Expenses</b>	<b>340,034</b>

**CHANGES IN NET ASSETS** **(10,796)**

<b>BEGINNING NET ASSETS</b>	<b>61,995</b>
<b>ENDING NET ASSETS</b>	<b>\$ 51,199</b>

**Transition House, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2017**

	2017 Supporting Services		2017 Program Services		Total Expense
	Administration and General	Fund Raising	Transitional Living	Community Outreach	
Salaries and wages	\$ 31,061	\$ 3,654	\$ 116,937	\$ 31,061	\$ 182,714
Payroll tax expense	2,396	282	9,021	2,396	14,095
Employee health insurance	4,950	582	18,635	4,950	29,117
Workers' compensation insurance	791	93	2,977	791	4,651
Legal and accounting	876	103	3,296	876	5,150
Office supplies	195	23	733	195	1,145
Telephone	615	72	2,317	615	3,620
Postage	53	6	199	53	311
Rent	7,497	882	28,224	7,497	44,100
Utilities	1,969	232	7,413	1,969	11,583
Household expenses	1,200	141	4,519	1,200	7,061
Equipment maintenance and repair	858	101	3,231	858	5,049
Property maintenance and repair	240	28	903	240	1,411
Staff development	993	117	3,740	993	5,843
Food	146	17	548	146	857
Client program supplies	947	111	3,565	947	5,571
Cable	124	15	468	124	732
Gasoline	108	13	406	108	635
Vehicle maintenance and repair	42	5	157	42	246
Vehicle insurance	345	41	1,299	345	2,030
Dues and subscriptions	90	11	339	90	530
Advertising	34	4	127	34	199
General and professional liability insurance	445	52	1,677	445	2,620
Directors and officers liability insurance	349	41	1,313	349	2,052
Loan interest	28	3	106	28	166
Depreciation	1,453	171	5,469	1,453	8,546
<b>Total</b>	<b>\$ 57,806</b>	<b>\$ 6,801</b>	<b>\$ 217,622</b>	<b>\$ 57,806</b>	<b>\$ 340,034</b>

**Transition House, Inc.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2016**

**Cash flows from current activities:**

Cash received from United Way Allocation	\$ 49,500
Cash received from Oklahoma Department of Mental Health	225,940
Cash received from other grants	24,700
Cash received from fund raising activities and other	11,231
Cash received from contributions	1,260
Cash received from investments	326
Cash received from client fees	6,186
Cash received from membership dues	18,598
Payments for goods and services	(107,630)
Payments to employees	(225,477)
Interest paid	(166)
<b>Net cash used by current activities</b>	<u><u>4,468</u></u>

**Cash flows from financing activities**

Cash used for loan payments	(1,546)
<b>Net cash provided by financing activities</b>	<u><u>(1,546)</u></u>

Beginning cash	37,427
<b>Ending cash</b>	<u><u>\$ 40,349</u></u>

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

Change in net assets	\$ (10,796)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	8,546
Change in assets and liabilities:	
(Increase) decrease in receivables	4,995
(Increase) decrease in other assets - prepaid expense	(3,906)
Increase (decrease) in deferred revenue	5,038
Increase (decrease) in accrued liabilities	591
<b>Net cash from current activities</b>	<u><u>\$ 4,468</u></u>



**Transition House, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**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 ASC 958-205. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**Transition House, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017**

In addition, the Organization is required to present a statement of cash flows. The Organization has no permanently restricted net assets.

**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, 2017, the Organization incurred \$8,546 in depreciation expense.

**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 unrestricted, temporarily restricted, or permanently restricted support 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 unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in temporarily or permanently 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), temporarily

**Transition House, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017**

restricted net assets are reclassified to unrestricted net assets 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, 2017 is \$7,477.

**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. The returns for the current year ended June 30, 2017 are due on November 15, 2017. Tax returns for the years ended June 30, 2016, 2015 and 2014 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 \$219,395 for the contract period July 1, 2016 through June 30, 2017, and is renewable annually.

**Transition House, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 3 – Fixed Assets**

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

	<u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2017</u>
Vehicles	\$ 21,800	\$ -	\$ -	\$ 21,800
Furniture and equipment	58,749	-	-	58,749
Total fixed assets	80,549	-	-	80,549
Accumulated depreciation	(63,572)	(8,546)	-	(72,118)
Net Capital Assets	\$ 16,977	\$ (8,546)	\$ -	\$ 8,431

**Note 4 – Fund Raising Events**

Fund raising events were as follows:

**June Bug Jam**

**Fundraising:**

Revenue	\$ 14,331
Direct Expenses	(3,735)
Net Fund Raising	\$ 10,596

**Note 5 – Note Payable**

In November 2012, the Organization obtained a \$15,214 loan at an interest rate of 2% from a local bank to finance the purchase of a van. The balance of this note at June 30, 2017 was \$ 7,399. Payments of \$140 are due monthly until maturity in 2022. Interest expense of \$166 was recognized in 2017.

Future minimum payments on the bank note are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,546	\$ 134	\$ 1,680
2019	1,555	125	1,680
2020	1,453	87	1,540
2021	1,615	35	1,650
2022	1,230	99	1,329
	\$ 7,399	\$ 480	\$ 7,879

**Transition House, Inc.**  
**Notes to the Financial Statements**  
**June 30, 2017**

**Note 6 – 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 2017 were \$14,700. 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 \$29,400.

**Note 7 –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 8 – 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 9 – Subsequent Events**

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.

**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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 16, 2017.

**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.

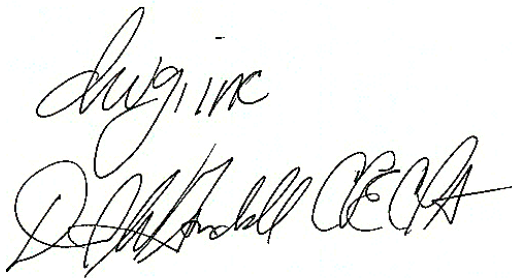
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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*.

### **The Purpose of this Report**

The 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. M. [unclear] CPA".

dwg, inc.  
October 16, 2017

**Transition House Inc.**  
**SCHEDULE OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2017**

Grantor Department/Program Title	Federal CFDA Number	State or Pass-Through Contract Number	Contract Period	Contract Amount	2017 Support Recognized	Federal Award Expenditures	State Award Expenditures	Total Expenditures
<b>Federal Grantor:</b>								
U.S. Department of Health and Human Services Passed through the Oklahoma Department of Mental Health and Substance Abuse Services:	3B09SM010042	20026810A	07/01/2016 -	\$ 120,202	\$ 120,202	\$ 120,202	\$ -	\$ 120,202
<b>State Grantor:</b>								
Oklahoma Department of Mental Health and Substance Abuse Services: Transitional Living Services		20026810A	07/01/2016 - 06/30/2017	99,193	99,193	-	99,193	99,193
Total Federal and State				<u>\$ 219,395</u>	<u>\$ 219,395</u>	<u>\$ 120,202</u>	<u>\$ 99,193</u>	<u>\$ 219,395</u>

**Note 1:**

**Basis of Presentation:**

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