

**SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2021

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GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Maria Hostel, Inc. (SMH, Inc.) and Santa Maria Hostel Foundation (SMHF) (nonprofit organizations), which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities 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 and the State of Texas Uniform Grant Management Standards. 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 SMH, Inc. and SMHF's as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Single Audit Circular*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 February 25, 2022 on our consideration of SMH, Inc. and SMHF'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 SMH, Inc. and SMHF's internal control over financial reporting and compliance.



Houston, TX
February 25, 2022

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

ASSETS	
Current Assets	
Cash	\$ 2,552,098
Grants Receivable	2,395,183
Prepaid Expenses	113,305
Deposits	2,360
Total Current Assets	5,062,946
Property and Equipment	
Land	364,827
Building and Improvements	4,226,930
Furniture and Equipment	511,234
Vehicles	61,859
	5,164,850
Less: Accumulated Depreciation	(3,657,316)
Total Property and Equipment	1,507,534
Total Assets	\$ 6,570,480
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 263,611
Other Liabilities	1,097,840
Current Portion of Notes Payable	64,920
Total Current Liabilities	1,426,371
Long-Term Liabilities	
Notes Payable, net of Current Portion	943,793
Total Long-Term Liabilities	943,793
Total Liabilities	2,370,164
Net Assets	
Without Donor Restrictions	4,150,218
With Donor Restrictions	50,098
Total Net Assets	4,200,316
Total Liabilities and Net Assets	\$ 6,570,480

See accompanying notes to financial statements.

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	\$ 150,111	\$ 1,995,504	\$ 2,145,615
United Way Allocation	-	157,111	157,111
Federal Assistance	-	5,338,090	5,338,090
State and Local Assistance	549,516	1,459,298	2,008,814
Rental Income	134,556	-	134,556
Other Income	1,162,026	616,600	1,778,626
Net Assets released from restrictions	9,578,343	(9,578,343)	-
Total Revenues	<u>11,574,552</u>	<u>(11,740)</u>	<u>11,562,812</u>
EXPENSES			
Program Services	10,660,012	-	10,660,012
Management and General	59,364	-	59,364
Fundraising	343,891	-	343,891
Foundation Expenses	257,941	-	257,941
Total Expenses	<u>11,321,208</u>	<u>-</u>	<u>11,321,208</u>
CHANGE ON NET ASSETS	<u>253,344</u>	<u>(11,740)</u>	<u>241,604</u>
Net Assets, Beginning of the Year, As Restated	<u>3,896,874</u>	<u>61,838</u>	<u>3,958,712</u>
Net Assets at the End of the Year	<u>\$ 4,150,218</u>	<u>\$ 50,098</u>	<u>\$ 4,200,316</u>

See accompanying notes to financial statements

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services					Management and General	Fundraising	Foundation	Total All Funds
	Substance Abuse Treatment	Veteran Services	Supportive Housing/ Bonding	Adjunct Services	Total Program Services				
Salaries	\$ 3,270,676	\$ 78,005	\$ 718,109	\$ 1,447,941	\$ 5,514,731	\$ -	\$ 151,116	\$ -	\$ 5,665,847
Employee benefits	765,571	19,315	168,979	324,078	1,277,943	12,131	30,487	-	1,320,561
Total Personnel Expenses	<u>4,036,247</u>	<u>97,320</u>	<u>887,088</u>	<u>1,772,019</u>	<u>6,792,674</u>	<u>12,131</u>	<u>181,603</u>	<u>-</u>	<u>6,986,408</u>
Conference and meetings	17,082	263	3,126	16,245	36,716	-	590	-	37,306
Insurance	231,123	6,036	73,555	107,892	418,606	-	6,021	8,064	432,691
Professional Fees	642,421	2,359	28,979	108,024	781,783	450	97,892	2,085	882,210
Repairs and Maintenance	279,252	34,554	124,743	56,234	494,783	288	828	-	495,899
Rent	182,288	8,642	53,660	29,935	274,525	145	1,225	-	275,895
Supplies	613,158	7,649	136,584	83,320	840,711	6,078	7,172	-	853,961
Telephone	71,071	1,584	14,219	41,379	128,253	-	3,264	-	131,517
Travel	7,899	67	10,105	17,794	35,865	38	225	-	36,128
Utilities	127,704	13,681	65,251	23,020	229,656	-	284	-	229,940
Interest	189	7	327	2	525	-	-	39,104	39,629
Other	477,370	11,499	42,292	44,524	575,685	40,234	44,451	50,000	710,370
Total Expenses before Depreciation	<u>2,649,557</u>	<u>86,341</u>	<u>552,841</u>	<u>528,369</u>	<u>3,817,108</u>	<u>47,233</u>	<u>161,952</u>	<u>99,253</u>	<u>4,125,546</u>
Depreciation Expense	29,718	3,359	10,518	6,635	50,230	-	336	158,688	209,254
Total Expenses	<u>\$ 6,715,522</u>	<u>\$ 187,020</u>	<u>\$ 1,450,447</u>	<u>\$ 2,307,023</u>	<u>\$ 10,660,012</u>	<u>\$ 59,364</u>	<u>\$ 343,891</u>	<u>\$ 257,941</u>	<u>\$ 11,321,208</u>

See accompanying notes to financial statements

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021

Cash Flow From Operating Activities

Increase (decrease) in Net Assets	\$ 241,604
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation expense	209,254
(Increase) decrease in Grants Receivable	(1,555,121)
(Increase) decrease in Other Assets	443
Increase (decrease) in Accounts Payable	61,710
Increase (decrease) in Accrued Liabilities	212,007
Net Cash Provided (Used) By Operating Activities	(830,103)

Cash Flows from Investing Activities

Disposal of Fixed Assets	
Net Cash Provided (Used) By Investing Activities	-

Cash Flows from Financing Activities

Repayment of Long-Term Debt	(79,425)
Net Cash Provided (Used) By Financing Activities	(79,425)

Net Increase (Decrease) in Cash (909,528)

Cash at the Beginning of the Year 3,461,626

Cash at the End of the Year \$ 2,552,098

Cash Paid During The Year For:

Interest \$ 39,629

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

A. Organization:

Santa Maria Hostel, Inc. (SMH, Inc.) is a regionally supported nonprofit corporation organized under the laws of the State of Texas. SMH, Inc. is operated to provide indigent women with residential and outpatient treatment for drug abuse, co-occurring psychological and medical stabilization, job readiness, vocational training, parenting education, transitional housing and supportive services. Services are provided to the residents, their children, and other family members through a highly structured residential and outpatient program, which include a children and family counseling program. The organization is licensed by the Texas Department of Health and Human Service Commission to provide residential and outpatient treatment to adult women.

Santa Maria Hostel Foundation (SMHF) was formed on June 26, 2006 for the sole benefit and support of Santa Maria Hostel, Inc. (SMH). The Foundation's purpose is to raise funds for SMH, Inc.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION:

The financial statements have been prepared using the accrual basis of accounting in accordance with the generally accepted accounting principles. SMH, Inc and SMHF follow the recommendations of the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities-205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an 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.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of SMH, Inc. and SMHF (collectively referred to as the Organization). These financial statements are presented on a consolidated basis due to their overlapping management and board of directors, and the interrelationship of their activities. Significant inter-entity accounts and transactions have been eliminated upon consolidation.

SUPPORT AND REVENUE:

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES:

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts have been reflected in the financial statements for donated services based on objective measurements of the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

CONTRIBUTIONS:

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

DEFERRED REVENUE:

Deferred revenue results from advances from government agencies, which have been restricted for a specific purpose. Revenue is recognized only to the extent that related expenses have been incurred.

PLEDGES AND ACCOUNTS RECEIVABLE:

Contributions are recognized when the donor makes a promise to give to SMH, Inc. and SMHF that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

PROPERTY AND EQUIPMENT:

Property, building, and equipment purchased by SMH, Inc. and SMHF are recorded at cost. Donations of property and equipment are recorded at their fair market value at the date of the gift. All purchases and donations in excess of \$5,000 are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives as follows:

	<u>Years</u>
Buildings	20
Building Improvements	5-20
Furniture & Fixtures	5-7
Automobiles	3
Computer Equipment	5
Software	3

FUNCTIONAL EXPENSES:

Expenses are charged to each program based on direct expenditures incurred. Functional expenses, which cannot readily be related to a specific program, are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Organization's multiple function expenditures.

INCOME TAXES:

SMH and SMHF qualify as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and have no provision for income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at local banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires SMH, Inc. and SMHF's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Promises to Give:

Unconditional promises to give consist of the following at August 31, 2021:

Receivables in less than one year	\$	50,908
Receivable in one to five years		-0-
		-
Total Pledges receivable	\$	50,908

Conditional promises to give consist of the following at August 31, 2021:

Contingent upon goal attainment	\$	-0-
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D. Liquidity and Availability of Financial Assets:

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

Financial assets at year-end		
Cash	\$	2,552,098
Accounts Receivable		2,395,183
		-
Total Financial assets at year-end	\$	4,947,281
Less those unavailable for general expenditures		
within one year, due to:		
Donor-restricted imposed restrictions as to use or time:		50,908
		-
Financial assets available to meet cash needs for general		
expenditure within one year	\$	4,896,373

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

D. Liquidity and Availability of Financial Assets: (Continued):

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

E. Operating Lease Commitments:

SMH, Inc. and SMHF lease its office equipment under non-cancellable lease agreements. These leases are being accounted for as operating leases. SMH, Inc.'s minimum annual lease commitments are as follows:

Year ending August 31	Amount
2022	\$ 87,219
2023	40,763
2024	25,188
2025	17,400
2026	2,900
Total	\$ 173,470

Operating lease expense amounted to \$ 275,895 for the twelve months ended August 31, 2021.

F. Notes Payable:

The Organization's obligations under notes payable consists of the following:

<p>Note payable from Santa Maria Hostel Foundation to Chase Bank, secured by the property located at 2605 Parker Road, Houston, TX 77093. The note is dated April 15, 2004 with a face amount of \$1,720,000 at a 3.85% interest rate. The date of maturity is April 15, 2016. Full note was refinanced and maturity date was changed to August 13, 2024.</p>	\$ 731,587
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<p>Note payable from Santa Maria Hostel Foundation to Chase Bank, secured by the property located at 2005 Jacquelyn, Houston, TX 77055. The note is dated July 31, 2013 with a face amount of \$393,090 at a 4.5% interest rate, monthly installment of \$2,501. Full note was refinanced, and the interest rate changed to 3.3% and maturity date changed to August 18, 2027.</p>	276,253
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SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

F. Notes Payable: (Continued)

Note payable from Santa Maria Hostel to Mobilease, Inc., secured by a vehicle. The note is dated June 8, 2016 with a face amount of \$15,594 at a 4.89% interest rate, 60 monthly installments of \$294. The date of maturity is June 7, 2020.

	\$ 873
Total notes payable	1,008,713
Less: current portion of notes payables	64,920
Notes payable net of current portion	\$ 943,793

Maturities of notes payable over the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2022	\$ 64,920
2023	66,450
2024	661,393
2025	215,950
Total	\$ 1,008,713

G. Net Assets With Donor Restrictions:

Net Assets With Donor Restrictions at August 31, 2021, are available for the following periods:

United Way of the Texas Gulf Coast	\$ 50,098
Net assets with donor restrictions	\$ 50,098

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

United Way of the Texas Gulf Coast	\$ 168,693
Contributions and Grants	789,547
PPP Loan- Forgiven	616,600
Employee Retention Tax Credit	1,205,957
Federal Assistance	5,338,090
State Assistance	1,459,456
Total restrictions released	\$ 9,578,343

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2021

H. Paycheck Protection Program (PPP) Loan:

The Organization was approved for and received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loan is dated June 11, 2021 in the amount of \$ 616,600 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures that consist primarily of payroll, as well as other expenses described under the legislation. The Agency expects to meet the PPP eligibility criteria and has determine that the PPP loan is in substance a conditional grant that is expected to be forgiven and will account for the PPP loan in accordance with ASC 958-605. The Agency has substantially met the conditions of the grant and has recognized the PPP loan as revenue as of August 31, 2021. On October 5, 2021 the agency received notice that the PPP loan had been fully forgiven by the SBA.

I. Cafeteria Plan:

SMH, through its Co-Employment contract with Insperity, PEO, provides its employees a voluntary Cafeteria Plan. This plan allows the participating employees to pay for the following expenses on a pre-tax basis:

1. Medical insurance premiums
2. Dental insurance premiums
3. Group term life insurance premiums
4. Vision insurance premiums

J. Concentrations:

The majority of Santa Maria Hostel, Inc.’s income comes from the Texas Department of Health and Human Service Commission. SMH is subject to the administrative directives, rules, and regulations of Texas Department of Health and Human Service Commission and the U.S. Department of Health. Such administrative directives, rules, and regulations are subject to change by an act of the Texas State Legislature, the United States Congress or an administrative change mandated by either Texas Department of Health and Human Service Commission or the U.S. Department of Health. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

K. Lawsuits and Contingencies:

SMH is subject to claims and lawsuits that arise in the ordinary course of business. During fiscal year ending August 31, 2021, the Organization was involved in two lawsuits. One of the lawsuits was settled, such settlement will be covered by insurance. The second lawsuit is pending. It is the opinion of management that the disposition or ultimate resolution of the last claim will not have a material adverse effect on the financial position of the company.

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

L. Prior Period Adjustment:

During the year ended, August 31, 2021, management wrote off an outstanding liability from prior years. The adjustment decreased other current liabilities and increased net asset balance by \$ 26,208.

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through February 25, 2022 the date which the financial statements were available to be issued.

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

Governmental grantor/pass-through grantor/ Program Title	CFDA Number	Pass-through Grantor's Number	Expenditures
FEDERAL ASSISTANCE:			
U.S. Department of Health & Human Services			
Passed through Texas Health and Human Services Commission:			
Public Health Service II; Block Grant for the Prevention & Treatment of Substance Abuse			
	93.959	HHS000663700216	\$ 2,450,327
	93.959	HHS000663700184	996,301
	93.959	HHS000663700136	44,214
	93.959	HHS000077600050	139,365
	93.959	HHS000539700100	246,000
	93.959	HHS000110400015	276,920
	93.959	HHS000130500015	200,000
Texas Targeted Opioid Response			
	93.788	HHS000562000001	14,045
Community Mental Health Services			
	93.958	HHS000562000001	12,750
Passed through Substance Abuse and Mental Health Service Administration (SAMHSA):			
FOR ME (Female Offender Reentry Movement)			
	93.243	5H79TI026362-02	14,893
Passed through The University of Texas at San Antonio Pregnant and Postpartum Substance Abuse and Mental Health			
	93.243	7H79TI026787-02	<u>283,965</u>
Total U.S. Department of Health & Human Services			<u>4,678,780</u>
U.S. Department of Housing & Urban Development			
Supportive Housing Program			
	14.235		<u>465,621</u>
Total U.S. Department of Housing & Urban Development			<u>\$ 465,621</u>

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

Governmental grantor/Pass-through grantor/ Program Title	CFDA Number	Pass-through Grantor's number	Expenditures
FEDERAL ASSISTANCE:			
U.S. Department of Veterans Affairs			
VA Homeless Providers Grant and Per Diem Program	64.024		\$ 23,501
Total U.S. Department of Veterans Affairs			<u>23,501</u>
U.S. Department of Justice			
Second Chance Act Reentry Initiative	16.812	2017-CY-BX-0110	104,441
Survivors of Trafficking Achieve Recovery and Stability	16.320	2020-VT-BX-0060	65,747
Total U.S. Department of Justice			<u>170,188</u>
Total Federal Financial Assistance			<u>5,338,090</u>
STATE ASSISTANCE:			
Texas Health & Human Services Commission:			
Public Health Service II; Block Grant for the Prevention & Treatment of Substance Abuse		HHS000663700216	990,320
		HHS000663700136	84,859
		HHS000077600050	45,000
		HHS000539700100	54,000
		HHS000663700058	250,276
Total Texas Health & Human Services Commission			<u>1,424,455</u>
Total Texas Veterans Commission			<u>34,843</u>
Total State Financial Assistance			<u>1,459,298</u>
Total Governmental Assistance			<u>\$ 6,797,388</u>

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

NOTES TO SCHEDULE OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state grant activity of SMH, Inc. and SMHF under programs of the federal and state government for the year ended August 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the State of Texas Uniform Grants Management Standards and *State of Texas Single Audit Circular*. Because the Schedule presents only a selected portion of the operation of SMH, Inc. and SMHF, it is not intended to and does not present the financial position, changes in net assets or cash flows of SMH, Inc. and SMHF.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance, Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

SMH Inc. and SMHF utilize the 10% de minimus indirect cost rate allowed under the Uniform Guidance for awards which do not allow utilization of the approved SMH cost allocation plan.

Subrecipients

The organization did not provide federal awards to subrecipients.

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

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 of
Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation
Houston, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and State of Texas Uniform Grant Management Standards, the financial statements of Santa Maria Hostel, Inc. (SMH, Inc.) and Santa Maria Hostel Foundation (SMHF) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SMH, Inc. and SMHF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SMH, Inc. and SMHF's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

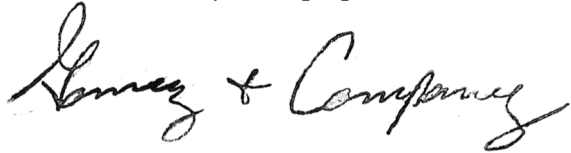
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SMH, Inc. and SMHF'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 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.

A handwritten signature in cursive script that reads "Ramsey & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
February 25, 2022

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900

FAX: (713) 666-1049

<http://www.gomezandco.com>

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

To The Board of Directors of
Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Santa Maria Hostel, Inc. (SMH, Inc.) and Santa Maria Hostel Foundation (SMHF)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State of Texas Single Audit Circular* that could have a direct and material effect on each of SMH, Inc. and SMHF's major federal programs for the year ended August 31, 2021. SMH, Inc. and SMHF's major federal programs 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 federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SMH, Inc. and SMHF's major federal programs 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; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Single Audit Circular*. Those standards, the Uniform Guidance and the State of Texas Single Audit Circular, 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 occurred. An audit includes examining, on a test basis, evidence about SMH, Inc. and SMHF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal. However, our audit does not provide a legal determination of SMH, Inc. and SMHF's compliance.

Opinion on Each Major Federal

In our opinion, SMH, Inc. and SMHF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control over Compliance

Management of SMH, Inc. and SMHF 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 of compliance, we considered SMH, Inc. and SMHF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Texas Single Audit Circular, 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 SMH, Inc. and SMHF's internal control over compliance.

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 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 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Honey & Company".

Houston, TX
February 25, 2022

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2021

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal award programs.
6. The audit did not disclose any audit findings which are required to be reported accordance with 2 CFR section 200.516(a) of the Uniform Guidance and State of Texas Single Audit Circular.

7. Major programs:

<u>Federal Grantor</u>	<u>CFDA Number</u>
U.S. Department of Health and Human Services Passed through Texas Department of Health and Human Services Commission: Public Health Service II; Block Grant for the Prevention & Treatment of Substance Abuse	93.959
 <u>State Grantor</u>	
Texas Department of Health and Human Services Commission: Public Health Service II; Block Grant for the Prevention & Treatment of Substance Abuse	HHS000663700136 HHS000663700216 HHS000077600050 HHS000539700100 HHS000663700058

8. A \$750,000 Federal threshold and a \$300,00 State threshold was used to distinguish between Type A and Type B programs as described in 2 CFR section 200.718 and the State of Texas Single Audit Circular .510(a).

9. Santa Maria Hostel, Inc. qualifies as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) of the Uniform Guidance and the State of Texas Single Audit Circular.	\$ -0-

SANTA MARIA HOSTEL, INC. AND
SANTA MARIA HOSTEL FOUNDATION

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

Summary Schedule of Prior Year Findings

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a) of the Uniform Guidance for the twelve months ended August 31, 2020.

\$ -0-

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

5177 RICHMOND AVE. SUITE 1100

HOUSTON, TX 77056

TEL: (713) 666-5900


FAX: (713) 666-1049

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Santa Maria Hostel, Inc. and Santa Maria Hostel Foundation
Houston, Texas

We have audited the financial statements of Santa Maria Hostel, Inc. (SMH, Inc.) and Santa Maria Hostel Foundation (SMHF) as of and for the year ended August 31, 2021, and our report thereon dated February 25, 2022, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Consolidating Financial Statements dated August 31, 2021 and appearing on pages 24 to 25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Houston, TX
February 25, 2022

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021

	Santa Maria Hostel, Inc	Santa Maria Hostel Foundation	Combined	Eliminations	Total
ASSETS					
Current Assets					
Cash	\$ 2,116,920	\$ 435,178	\$ 2,552,098	\$ -	\$ 2,552,098
Grants Receivable	2,397,407	20,202	2,417,609	(22,426)	2,395,183
Prepaid Expenses	94,826	18,479	113,305	-	113,305
Deposits	2,360	-	2,360	-	2,360
Total Current Assets	4,611,513	473,859	5,085,372	(22,426)	5,062,946
Property and Equipment					
Land	21,280	343,547	364,827	-	364,827
Building and Improvements	1,053,144	3,173,786	4,226,930	-	4,226,930
Furniture and Equipment	511,234	-	511,234	-	511,234
Vehicles	61,859	-	61,859	-	61,859
	<u>1,647,517</u>	<u>3,517,333</u>	<u>5,164,850</u>	<u>-</u>	<u>5,164,850</u>
Less: Accumulated Depreciation	(1,560,014)	(2,097,302)	(3,657,316)	-	(3,657,316)
Total Property and Equipment	87,503	1,420,031	1,507,534	-	1,507,534
Total Assets	\$ 4,699,016	\$ 1,893,890	\$ 6,592,906	\$ (22,426)	\$ 6,570,480
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable	\$ 286,037	\$ -	\$ 286,037	\$ (22,426)	\$ 263,611
Other Liabilities	1,094,460	3,380	1,097,840	-	1,097,840
Current Portion of Notes Payable	873	64,047	64,920	-	64,920
Total Current Liabilities	1,381,370	67,427	1,448,797	(22,426)	1,426,371
Long-Term Liabilities					
Notes Payable, net of Current Portion	-	943,793	943,793	-	943,793
Total Long-Term Liabilities	-	943,793	943,793	-	943,793
Total Liabilities	1,381,370	1,011,220	2,392,590	(22,426)	2,370,164
Net Assets					
Without Donor Restrictions	3,267,548	882,670	4,150,218	-	4,150,218
With Donor Restrictions	50,098	-	50,098	-	50,098
Total Net Assets	3,317,646	882,670	4,200,316	-	4,200,316
Total Liabilities and Net Assets	\$ 4,699,016	\$ 1,893,890	\$ 6,592,906	\$ (22,426)	\$ 6,570,480

See accompanying notes to financial statements.

SANTA MARIA HOSTEL, INC AND
SANTA MARIA HOSTEL FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Santa Maria Hostel, Inc	Santa Maria Hostel Foundation	Consolidated	Elimination s	Total
SUPPORT AND REVENUE					
Contributions and Grants	\$ 2,145,615	\$ -	\$ 2,145,615	\$ -	\$ 2,145,615
United Way Allocation	157,111	-	157,111	-	157,111
Federal Assistance	5,338,090	-	5,338,090	-	5,338,090
State and Local Assistance	2,008,814	-	2,008,814	-	2,008,814
Rental Income	-	134,556	134,556	-	134,556
Other Income	1,778,626	-	1,778,626	-	1,778,626
Total Revenues	<u>11,428,256</u>	<u>134,556</u>	<u>11,562,812</u>	<u>-</u>	<u>11,562,812</u>
EXPENSES					
Program Services	10,660,012	-	10,660,012	-	10,660,012
Management and General	59,364	-	59,364	-	59,364
Fundraising	343,891	-	343,891	-	343,891
Foundation Expenses	-	257,941	257,941	-	257,941
Total Expenses	<u>11,063,267</u>	<u>257,941</u>	<u>11,321,208</u>	<u>-</u>	<u>11,321,208</u>
Change in Net Assets	<u>364,989</u>	<u>(123,385)</u>	<u>241,604</u>	<u>-</u>	<u>241,604</u>
Net Assets, Beginning of the Year, As Restated	<u>2,952,657</u>	<u>1,006,055</u>	<u>3,958,712</u>	<u>-</u>	<u>3,958,712</u>
Net Assets at the End of the Year	<u>\$ 3,317,646</u>	<u>\$ 882,670</u>	<u>\$ 4,200,316</u>	<u>\$ -</u>	<u>\$ 4,200,316</u>

See accompanying notes to financial statements.